Calendar No. 260

100TH CONGRESS
1ST SESSION

S. 1127

[Report No. 100–126]

To provide for medicare catastrophic illness coverage, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 5 (legislative day, APRIL 21), 1987

Mr. BENTSEN (for himself, Mr. MITCHELL, Mr. DOLE, Mr. BYRD, Mr. MATSUNAGA, Mr. BRADLEY, Mr. BAUCUS, Mr. PRYOR, Mr. DASCHLE, Mr. CHAFEE, Mr. RIEGLE, Mr. BOREN, Mr. DURENBERGER, Mr. HEINZ, Mr. STENNIS, Mr. ROCKEFELLER, Mr. MOYNIHAN, Mr. DANFORTH, Mr. CHILES, and Mr. SPECTER) introduced the following bill; which was read twice and referred to the Committee on Finance

JULY 27, 1987

Reported, under authority of the order of the Senate of July 24 (legislative day, June 23), 1987, by Mr. BENTSEN, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To provide for medicare catastrophic illness coverage, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 ~~SECTION 1. SHORT TITLE; REFERENCES IN ACT.~~

2 ~~(a) SHORT TITLE.—This Act may be cited as the~~

3 ~~"Medicare Catastrophic Loss Prevention Act of 1987".~~

4 ~~(b) AMENDMENTS TO THE SOCIAL SECURITY ACT.—~~

5 ~~Except as otherwise specifically provided, whenever in this~~

6 ~~Act an amendment is expressed in terms of an amendment~~

7 ~~to, or repeal of, a section or other provision, the reference~~

8 ~~shall be considered to be made to a section or other provision~~

9 ~~of the Social Security Act.~~

10 ~~SEC. 2. SCOPE OF BENEFITS UNDER PART A.~~

11 ~~(a) FOR INDIVIDUALS COVERED UNDER PARTS A AND~~

12 ~~B.—Section 1812 (42 U.S.C. 1395d) is amended to read as~~

13 ~~follows:~~

14 ~~"SCOPE OF BENEFITS FOR INDIVIDUALS COVERED UNDER~~

15 ~~PARTS A AND B~~

16 ~~"SEC. 1812. (a) The benefits provided by the insurance~~

17 ~~program under this part to an individual who is covered by~~

18 ~~such program and by the insurance program under part B~~

19 ~~shall consist of entitlement to have payment made on his~~

20 ~~behalf or, in the case of payments referred to in section~~

21 ~~1814(d)(2) to him (subject to the provisions of this part) for—~~

22 ~~"(1) inpatient hospital services;~~

23 ~~"(2)(A) post-hospital extended care services for up~~

24 ~~to 150 days during any calendar year, and (B) to the~~

25 ~~extent provided in subsection (c), extended care serv-~~

26 ~~ices that are not post-hospital extended care services;~~

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1 "(3) home health services; and

2 "(4) in lieu of certain other benefits, hospice care

3 with respect to the individual during up to two periods

4 of 90 days each and one subsequent period of 30 days

5 with respect to which the individual makes an election

6 under subsection (c)(1).

7 "(b) Payment under this part for services furnished to an

8 individual who is covered by the insurance programs estab-

9 lished under this part and part B may not be made for—

10 "(1) post-hospital extended care services furnished

11 to him during a calendar year after such services have

12 been furnished to him for 150 days during that year; or

13 "(2) inpatient psychiatric hospital services fur-

14 nished to him after such services have been furnished

15 to him for a total of 190 days during his lifetime.

16 "(c)(1) Payment under this part may be made for hos-

17 pice care provided with respect to an individual only during

18 two periods of 90 days each and one subsequent period of 30

19 days during the individual's lifetime and only, with respect to

20 each such period, if the individual makes an election under

21 this paragraph to receive hospice care under this part

22 provided by, or under arrangements made by, a particular

23 hospice program instead of certain other benefits under this

24 title.

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1 ~~"(2)(A) Except as provided in subparagraphs (B) and (C)~~
2 ~~and except in such exceptional and unusual circumstances as~~
3 ~~the Secretary may provide, if an individual makes such an~~
4 ~~election for a period with respect to a particular hospice pro-~~
5 ~~gram, the individual shall be deemed to have waived all~~
6 ~~rights to have payment made under this title with respect~~
7 ~~to—~~
8 ~~"(i) hospice care provided by another hospice pro-~~
9 ~~gram (other than under arrangements made by the par-~~
10 ~~ticular hospice program) during the period, and~~
11 ~~"(ii) services furnished during the period that are~~
12 ~~determined (in accordance with guidelines of the Secre-~~
13 ~~tary) to be—~~
14 ~~"(I) related to the treatment of the individ-~~
15 ~~ual's condition with respect to which a diagnosis~~
16 ~~of terminal illness has been made, or~~
17 ~~"(II) equivalent to (or duplicative of) hospice~~
18 ~~care;~~
19 ~~except that clause (ii) shall not apply to physicians' services~~
20 ~~furnished by the individual's attending physician (if not an~~
21 ~~employee of the hospice program) or to services provided by~~
22 ~~(or under arrangements made by) the hospice program.~~
23 ~~"(B) After an individual makes such an election with~~
24 ~~respect to a 90- or 30-day period, the individual may revoke~~
25 ~~the election during the period, in which case—~~

1 ~~"(i) the revocation shall act as a waiver of the~~
2 ~~right to have payment made under this part for any~~
3 ~~hospice care benefits for the remaining time in such~~
4 ~~period and (for purposes of subparagraph (A), subsec-~~
5 ~~tion (a)(4), and section 1812A(a)(4)) the individual shall~~
6 ~~be deemed to have been provided such benefits during~~
7 ~~such entire period, and~~
8 ~~"(ii) the individual may at any time after the rev-~~
9 ~~ocation execute a new election for a subsequent period,~~
10 ~~if the individual otherwise is entitled to hospice care~~
11 ~~benefits with respect to such a period.~~
12 ~~"(C) An individual may, once in each such period,~~
13 ~~change the hospice program with respect to which election is~~
14 ~~made and such change shall not be considered a revocation of~~
15 ~~an election under subparagraph (B).~~
16 ~~"(D) For purposes of this title, an individual's election~~
17 ~~with respect to a hospice program shall no longer be consid-~~
18 ~~ered to be in effect with respect to that hospice program after~~
19 ~~the date the individual's revocation or change of election with~~
20 ~~respect to that election takes effect.~~
21 ~~"(d) For purposes of subsection (b), inpatient psychiatric~~
22 ~~hospital services and post-hospital extended care services~~
23 ~~shall be taken into account only if payment is or would be,~~
24 ~~except for this section or the failure to comply with the re-~~

1 ~~quest and certification requirements of or under section~~
2 ~~1814(a), made with respect to such services under this part.~~
3 ~~"(c)(1) The Secretary shall provide for coverage, under~~
4 ~~subsection (a)(2)(B) and section 1812A(a)(2)(B), of extended~~
5 ~~care services which are not post-hospital extended care serv-~~
6 ~~ices at such time and for so long as the Secretary determines,~~
7 ~~and under such terms and conditions (described in paragraph~~
8 ~~(2)) as the Secretary finds appropriate, that the inclusion of~~
9 ~~such services will not result in any increase in the total of~~
10 ~~payments made under this title and will not alter the acute~~
11 ~~care nature of the benefit described is subsection (a)(2).~~
12 ~~"(2) The Secretary may provide—~~
13 ~~"(A) for such limitations on the scope and extent~~
14 ~~of services described in subsection (a)(2)(B) and section~~
15 ~~1812A(a)(2)(B) and on the categories of individuals~~
16 ~~who may be eligible to receive such services, and~~
17 ~~"(B) notwithstanding sections 1814, 1861(v), and~~
18 ~~1886, for such restrictions and alternatives on the~~
19 ~~amounts and methods of payment for services described~~
20 ~~in such subsection,~~
21 ~~as may be necessary to carry out paragraph (1).".~~
22 ~~(b) FOR INDIVIDUALS COVERED UNDER PART A~~
23 ~~ONLY.—Part A of title XVIII is amended by inserting after~~
24 ~~section 1812 the following:~~

1 ~~"SCOPE OF BENEFITS FOR INDIVIDUALS COVERED UNDER~~

2 ~~PART A ONLY~~

3 ~~"SEC. 1812A. (a) The benefits provided by the insur-~~

4 ~~ance program under this part to an individual who is covered~~

5 ~~by such program but not by the insurance program under~~

6 ~~part B shall consist of entitlement to have payment made on~~

7 ~~his behalf or, in the case of payments referred to in section~~

8 ~~1814(d)(2) to him (subject to the provisions of this part) for—~~

9 ~~"(1) inpatient hospital services for up to 150 days~~

10 ~~during any spell of illness minus 1 day for each day of~~

11 ~~inpatient hospital services in excess of 90 received~~

12 ~~during any preceding spell of illness (if such individual~~

13 ~~was entitled to have payment for such services made~~

14 ~~under this part unless the individual specifies in ac-~~

15 ~~cordance with regulations of the Secretary that the in-~~

16 ~~dividual does not desire to have such payment made);~~

17 ~~"(2)(A) post-hospital extended care services for up~~

18 ~~to 100 days during any spell of illness, and (B) to the~~

19 ~~extent provided in section 1812(c), extended care serv-~~

20 ~~ices that are not post-hospital extended care services;~~

21 ~~"(3) home health services; and~~

22 ~~"(4) in lieu of certain other benefits, hospice care~~

23 ~~with respect to the individual during up to two periods~~

24 ~~of 90 days each and one subsequent period of 30 days~~

~~with respect to which the individual makes an election under section 1812(c)(1).~~

~~"(b) Payment under this part for services furnished during a spell of illness to an individual who is covered by the insurance program under this part but not by the insurance program under part B may not (subject to subsection (c)) be made for—~~

~~"(1) inpatient hospital services furnished to the individual during such spell after such services have been furnished to the individual for 150 days during such spell minus 1 day for each day of inpatient hospital services in excess of 90 received during any preceding spell of illness (if such individual was entitled to have payment for such services made under this part unless he specifies in accordance with regulations of the Secretary that he does not desire to have such payment made);~~

~~"(2) post-hospital extended care services furnished to the individual during such spell after such services have been furnished to the individual for 100 days during such spell; or~~

~~"(3) inpatient psychiatric hospital services furnished to the individual after such services have been furnished to the individual for a total of 190 days during the lifetime of the individual.~~

1 "(c) If an individual is an inpatient of a psychiatric hos-
2 pital on the first day of the first month for which he is enti-
3 tled to benefits under this part, the days on which he was an
4 inpatient of such a hospital in the 150-day period immediate-
5 ly before such first day shall be included in determining the
6 number of days limit under subsection (b)(1) insofar as such
7 limit applies to (1) inpatient psychiatric hospital services, or
8 (2) inpatient hospital services for an individual who is an in-
9 patient primarily for the diagnosis or treatment of mental ill-
10 ness (but shall not be included in determining such number of
11 days limit insofar as it applies to other inpatient hospital
12 services or in determining the 190-day limit under subsection
13 (b)(3)).

14 "(d) The provisions of subsections (c) and (e) of section
15 1812 shall apply to individuals who are covered by the insur-
16 ance program under this part but not by the insurance pro-
17 gram under part B in the same manner and to the same
18 extent as those provisions apply to individuals who are
19 covered under both such programs.

20 "(e) For purposes of subsections (b) and (c), inpatient
21 hospital services, inpatient psychiatric hospital services, and
22 post-hospital extended care services shall be taken into ac-
23 count only if payment is or would be, except for this section
24 or the failure to comply with the request and certification

~~requirements of or under section 1814(a), made with respect to such services under this part.''.~~

~~(c) CONFORMING CHANGES.—~~

~~(1) Section 1814(c) (42 U.S.C. 1395f(c)) is amended by inserting ''or section 1812A'' after ''section 1812''.~~

~~(2) Section 1861(dd)(2)(A)(iii) (42 U.S.C. 1395x(dd)(2)(A)(iii)) is amended by striking ''section 1812(d)'' and inserting in lieu thereof ''section 1812(e)''.~~

~~(3) Section 1902(g)(1) (42 U.S.C. 1396a(g)(1)) is amended by inserting ''or section 1812A'' after ''1812''.~~

~~SEC. 3. DEDUCTIBLES AND COINSURANCE UNDER PART A.~~

~~(a) FOR INDIVIDUALS COVERED UNDER PARTS A AND B.—Section 1813 (42 U.S.C. 1395e) is amended to read as follows:~~

~~''DEDUCTIBLES AND COINSURANCE FOR INDIVIDUALS COVERED UNDER PARTS A AND B~~

~~''SEC. 1813. (a)(1)(A) Subject to subparagraph (C), the amount payable for inpatient hospital services furnished to an individual who is covered by the insurance programs under this part and part B during the individual's first period of hospitalization to begin during a calendar year shall be reduced by a deduction equal to the inpatient hospital deductible for that year or, if less, the charges imposed with respect~~

1 ~~to such individual for such services, except that, if the cus-~~
2 ~~tomary charges for such services are greater than the~~
3 ~~charges so imposed, such customary charges shall be consid-~~
4 ~~ered to be the charges so imposed.~~

5 ~~"(B) For purposes of subparagraph (A), the term 'period~~
6 ~~of hospitalization' means, with respect to an individual, the~~
7 ~~period beginning on the first day the individual is furnished~~
8 ~~inpatient hospital services and ending on the individual's date~~
9 ~~of discharge (as established by the Secretary for purposes of~~
10 ~~section 1886) from the hospital (or, in the case of a transfer,~~
11 ~~hospitals) involved.~~

12 ~~"(C) In the case of an individual with respect to~~
13 ~~whom—~~

14 ~~"(i) a period of hospitalization begins during De-~~
15 ~~cember of any calendar year,~~

16 ~~"(ii) an inpatient hospital deductible is imposed~~
17 ~~with respect to such period of hospitalization, and~~

18 ~~"(iii) a period of hospitalization begins during~~
19 ~~January of the following calendar year,~~

20 ~~no inpatient hospital deductible shall be imposed with respect~~
21 ~~to a period of hospitalization beginning in January of such~~
22 ~~following year (and such period of hospitalization shall not be~~
23 ~~taken into account in determining the application of an inpa-~~
24 ~~tient hospital deductible to any period of hospitalization be-~~

1 ~~ginning for such individual after January 31 of such following~~
2 ~~year).~~
3 ~~"(2) The amount payable to any provider of services~~
4 ~~under this part for services furnished during any calendar~~
5 ~~year to an individual who is covered by the programs estab-~~
6 ~~lished under this part and part B shall be further reduced by~~
7 ~~a deduction equal to the cost of the first 3 pints of whole~~
8 ~~blood (or equivalent quantities of packed red blood cells, as~~
9 ~~defined under regulations) furnished to him as part of such~~
10 ~~services during that year.~~
11 ~~"(3)(A) The amount payable for post-hospital extended~~
12 ~~care services furnished in any calendar year to an individual~~
13 ~~who is covered by the insurance programs established under~~
14 ~~this part and part B shall be reduced by the coinsurance~~
15 ~~amount (promulgated under subparagraph (C) for that year)~~
16 ~~for the first 10 days on which he is furnished such services~~
17 ~~during any stay in a skilled nursing facility, but in no event~~
18 ~~shall a coinsurance amount be imposed under this paragraph~~
19 ~~with respect to an individual for more than 10 days in any~~
20 ~~calendar year.~~
21 ~~"(B) Before September 1 of each year (beginning with~~
22 ~~1987), the Secretary shall estimate the national average per~~
23 ~~diem reasonable cost recognized under this title for post-hos-~~
24 ~~pital extended care services that will be furnished in the suc-~~
25 ~~ceeding calendar year.~~

1 "(C) The Secretary shall, in September of each year
2 (beginning with 1987) promulgate the coinsurance amount
3 that shall apply to post-hospital extended care services fur-
4 nished in the succeeding year. Such amount shall be equal to
5 15 percent of the national average per diem cost estimated
6 under subparagraph (B) for that year. If the coinsurance
7 amount determined under the preceding sentence is not a
8 multiple of $1, it shall be rounded to the nearest multiple of
9 $1 (or, if it is a multiple of 50 cents but not a multiple of $1,
10 to the next higher multiple of $1).
11 "(4)(A) The amount payable for hospice care shall be
12 reduced—
13 "(i) in the case of drugs and biologicals provided
14 on an outpatient basis by (or under arrangements made
15 by) the hospice program, by a coinsurance amount
16 equal to an amount (not to exceed $5 per prescription)
17 determined in accordance with a drug copayment
18 schedule (established by the hospice program) which is
19 related to, and approximates 5 percent of, the cost of
20 the drug or biological to the program, and
21 "(ii) in the case of respite care provided by (or
22 under arrangements made by) the hospice program, by
23 a coinsurance amount equal to 5 percent of the amount
24 estimated by the hospice program (in accordance with
25 regulations of the Secretary) to be equal to the amount

1 ~~of payment under section 1814(i) to that program for~~
2 ~~respite care;~~
3 ~~except that the total of the coinsurance required under clause~~
4 ~~(ii) for an individual may not exceed for a hospice coinsurance~~
5 ~~period the inpatient hospital deductible applicable for the~~
6 ~~year in which the period began. For purposes of this subpara-~~
7 ~~graph, the term 'hospice coinsurance period' means, for an~~
8 ~~individual, a period of consecutive days beginning with the~~
9 ~~first day for which an election under section 1812(c) is in~~
10 ~~effect for the individual and ending with the close of the first~~
11 ~~period of 14 consecutive days on each of which such an elec-~~
12 ~~tion is not in effect for the individual.~~
13 ~~"(B) During the period of an election by an individual~~
14 ~~under section 1812(c)(1), no copayments or deductibles other~~
15 ~~than those under subparagraph (A) shall apply with respect~~
16 ~~to services furnished to such individual which constitute hos-~~
17 ~~pice care, regardless of the setting in which such services are~~
18 ~~furnished.~~
19 ~~"(b)(1) The inpatient hospital deductible for 1987 shall~~
20 ~~be $520. The inpatient hospital deductible for any succeeding~~
21 ~~year shall be an amount equal to the inpatient hospital de-~~
22 ~~ductible for the preceding calendar year, changed by the ap-~~
23 ~~plicable percentage increase (as defined in section~~
24 ~~1886(b)(3)(B)) which is applied under section 1886(d)(3)(A)~~
25 ~~for discharges in the fiscal year that begins on October 1 of~~

1 ~~such preceding calendar year, and adjusted to reflect changes~~
2 ~~in real case mix (determined on the basis of the most recent~~
3 ~~case mix data available). Any amount determined under the~~
4 ~~preceding sentence which is not a multiple of $4 shall be~~
5 ~~rounded to the nearest multiple of $4 (or, if it is midway~~
6 ~~between two multiples of $4, the next higher multiple of $4).~~
7 ~~"(2) The Secretary shall promulgate the inpatient hospi-~~
8 ~~tal deductible and all coinsurance amounts under this section~~
9 ~~between September 1 and September 15 of the year preced-~~
10 ~~ing the year to which they will apply.".~~
11 ~~(b) FOR INDIVIDUALS COVERED UNDER PART A~~
12 ~~ONLY.—Part A of title XVIII is amended by inserting after~~
13 ~~section 1813 the following:~~
14 ~~"DEDUCTIBLES AND COINSURANCE AMOUNTS FOR~~
15 ~~INDIVIDUALS COVERED UNDER PART A ONLY~~
16 ~~"SEC. 1813A. (a)(1) The amount payable for inpatient~~
17 ~~hospital services furnished during any spell of illness to an~~
18 ~~individual who is covered by the insurance program under~~
19 ~~this part but not by the insurance program under part B shall~~
20 ~~be reduced by a deduction equal to the inpatient hospital de-~~
21 ~~ductible or, if less, the charges imposed with respect to such~~
22 ~~individual for such services, except that, if the customary~~
23 ~~charges for such services are greater than the charges so~~
24 ~~imposed, such customary charges shall be considered to be~~
25 ~~the charges so imposed. Such amount shall be further re-~~
26 ~~duced by a coinsurance amount equal to—~~

1 "(A) one-fourth of the inpatient hospital deducti-
2 ble for each day (before the 91st day) on which such
3 individual is furnished such services during such spell
4 of illness after such services have been furnished to
5 him for 60 days during such spell; and
6 "(B) one-half of the inpatient hospital deductible
7 for each day (before the day following the last day for
8 which such individual is entitled under section
9 1812A(a)(1) to have payment made on his behalf for
10 inpatient hospital services during such spell of illness)
11 on which such individual is furnished such services
12 during such spell of illness after such services have
13 been furnished to him for 90 days during such spell;
14 except that the reduction under this sentence for any day
15 shall not exceed the charges imposed for that day with re-
16 spect to such individual for such services (and for this pur-
17 pose, if the customary charges for such services are greater
18 than the charges so imposed, such customary charges shall
19 be considered to be the charges so imposed).
20 "(2) The amount payable to any provider of services
21 under this part for services furnished during any spell of ill-
22 ness to an individual who is covered by the insurance pro-
23 gram under this part but not by the insurance program under
24 part B shall be further reduced by a deduction equal to the
25 cost of the first 3 pints of whole blood (or equivalent quanti-

1 ~~ties of packed red blood cells, as defined under regulations)~~
2 ~~furnished to him as part of such services during such spell of~~
3 ~~illness.~~
4 ~~"(3) The amount payable for post-hospital extended care~~
5 ~~services furnished during any spell of illness to an individual~~
6 ~~who is covered by the insurance program under this part but~~
7 ~~not by the insurance program under part B shall be reduced~~
8 ~~by a coinsurance amount equal to one-eighth of the inpatient~~
9 ~~hospital deductible for each day (before the 101st day) on~~
10 ~~which the individual is furnished such services after such~~
11 ~~services have been furnished to the individual for 20 days~~
12 ~~during such spell.~~
13 ~~"(b) The provisions of section 1813(a)(4) shall apply to~~
14 ~~individuals who are covered by the insurance program under~~
15 ~~this part but not by the insurance program under part B in~~
16 ~~the same manner and to the same extent as those provisions~~
17 ~~apply to individuals covered under both such programs.~~
18 ~~"(c)(1) For purposes of this section, the 'inpatient hospi-~~
19 ~~tal deductible' for a year is the inpatient hospital deductible~~
20 ~~promulgated under section 1813 for that year.~~
21 ~~"(2) The inpatient hospital deductible for a year shall~~
22 ~~apply to—~~
23 ~~"(A) the deduction under the first sentence of sub-~~
24 ~~section (a)(1) for the year in which the first day of in-~~
25 ~~patient hospital services occurs in a spell of illness, and~~

1 ~~"(B) to the coinsurance amounts under subsection~~
2 ~~(a) for inpatient hospital services and post-hospital ex-~~
3 ~~tended care services furnished in that year.".~~
4 ~~(c) CONFORMING CHANGES.—~~
5 ~~(1) Section 1814 (42 U.S.C. 1395f) is amended—~~
6 ~~(A) in subsection (b) by striking "sections~~
7 ~~1813 and 1886" in the matter preceding para-~~
8 ~~graph (1) and inserting in lieu thereof "sections~~
9 ~~1813, 1813A, and 1886", and~~
10 ~~(B) in subsections (d) and (f) by striking "sec-~~
11 ~~tion 1813" each place it appears and inserting in~~
12 ~~lieu thereof "sections 1813 and 1813A".~~
13 ~~(2) Section 1833(d) (42 U.S.C. 1395l(d)) is~~
14 ~~amended by inserting "or section 1813A" after "sec-~~
15 ~~tion 1813".~~
16 ~~(3)(A) Section 1861(y)(2) (42 U.S.C. 1395x(y)(2))~~
17 ~~is amended—~~
18 ~~(i) by striking "an individual in a skilled~~
19 ~~nursing facility to which paragraph (1) applies"~~
20 ~~and inserting in lieu thereof "in a skilled nursing~~
21 ~~facility to which paragraph (1) applies to an indi-~~
22 ~~vidual who is covered by the insurance programs~~
23 ~~established under parts A and B",~~

1 ~~(ii) by striking "spell of illness" the first~~
2 ~~place it appears and inserting in lieu thereof "cal-~~
3 ~~endar year",~~
4 ~~(iii) by striking "spell of illness" the second~~
5 ~~place it appears and "spell" each place it appears~~
6 ~~and inserting in lieu thereof "year",~~
7 ~~(iv) by redesignating clauses (i) and (ii) as~~
8 ~~subclauses (I) and (II), respectively;~~
9 ~~(v) by redesignating subparagraphs (A) and~~
10 ~~(B) as clauses (i) and (ii), respectively;~~
11 ~~(vi) by inserting "(A)" after "(2)", and~~
12 ~~(vii) by adding at the end thereof the~~
13 ~~following:~~
14 ~~"(B) In the case of an individual who is covered by the~~
15 ~~insurance program under part A but not by the insurance~~
16 ~~program under part B, the provisions of subparagraph (A)~~
17 ~~shall be applied by substituting 'spell of illness' for 'calendar~~
18 ~~year' and by substituting 'spell' for 'year' each place it~~
19 ~~appears.".~~
20 ~~(B) Section 1861(y)(3) is amended—~~
21 ~~(i) by striking "an individual during any spell~~
22 ~~of illness in a skilled nursing facility to which~~
23 ~~paragraph (1) applies" and inserting in lieu there-~~
24 ~~of "during any calendar year to an individual who~~
25 ~~is covered under the insurance programs estab-~~

1 ~~lished under parts A and B in a skilled nursing~~
2 ~~facility to which paragraph (1) applies",~~
3 ~~(ii) by striking "equal to" and all that follows~~
4 ~~through "31st day" and inserting "equal to the~~
5 ~~coinsurance amount established under section~~
6 ~~1813(a)(3)(C) for each day before the 10th day".~~
7 ~~(iii) by striking "spell" and inserting in lieu~~
8 ~~thereof "year",~~
9 ~~(iv) by inserting "(A)" after "(3)", and~~
10 ~~(v) by adding at the end thereof the~~
11 ~~following:~~
12 ~~"(B) The amount payable under part A for post-hospital~~
13 ~~extended care services furnished during any calendar year to~~
14 ~~an individual who is covered by the insurance program estab-~~
15 ~~lished under part A but not by the insurance program estab-~~
16 ~~lished under part B in a skilled nursing facility to which para-~~
17 ~~graph (1) applies shall be reduced by a coinsurance amount~~
18 ~~equal to one-eighth of the inpatient hospital deductible for~~
19 ~~each day before the 31st day on which the individual is fur-~~
20 ~~nished such services in a facility during such spell (and the~~
21 ~~reduction under this paragraph shall be in lieu of any reduc-~~
22 ~~tion under section 1813A(a)(3).".~~
23 ~~(4) Section 1866(a)(2) (42 U.S.C. 1395cc(a)(2)) is~~
24 ~~amended—~~

1 ~~(A) in subparagraph (A) by striking "section~~
2 ~~1813(a)(1), (a)(3), or (a)(4),"~~ ~~and inserting in lieu~~
3 ~~thereof "paragraph (1), (3), or (4) of section 1813,~~
4 ~~paragraph (1) or (3) of section 1813A,",~~ ~~and~~
5 ~~(B) in subparagraph (C) by inserting "or sec-~~
6 ~~tion 1813A(a)(2)" after "section 1813(a)(2)".~~
7 ~~(5) Section 1886 (42 U.S.C. 1395ww) is amended~~
8 ~~by striking "section 1813" each place it appears in~~
9 ~~subsections (b)(1) and (d)(1)(A) and inserting in lieu~~
10 ~~thereof "sections 1813 and 1813A".~~
11 ~~SEC. 4. LIMITATION ON COST-SHARING.~~
12 ~~(a) SCOPE OF BENEFITS.—Section 1832(a) (42 U.S.C.~~
13 ~~1395k(a)) is amended—~~
14 ~~(1) by striking "and" at the end of paragraph (1),~~
15 ~~(2) by striking the period at the end of paragraph~~
16 ~~(2) and inserting in lieu thereof "; and",~~ ~~and~~
17 ~~(3) by adding at the end thereof the following:~~
18 ~~"(3) entitlement to have payment made to him or~~
19 ~~on his behalf (subject to the provisions of this title) for~~
20 ~~any catastrophic medical expenses (as defined in sec-~~
21 ~~tion 1861(ff)(1)) for a calendar year.".~~
22 ~~(b) PAYMENT OF BENEFITS.—~~
23 ~~(1) Section 1833(a) (42 U.S.C. 1395l(a)) is~~
24 ~~amended—~~

1 ~~(A) by striking "and" at the end of para-~~
2 ~~graph (3),~~
3 ~~(B) by striking the period at the end of para-~~
4 ~~graph (4) and inserting in lieu thereof "; and",~~
5 ~~and~~
6 ~~(C) by adding at the end the following:~~
7 ~~"(5) in the case of catastrophic medical expenses~~
8 ~~described in section 1832(a)(3), 100 percent of such~~
9 ~~expenses.".~~
10 ~~(2) The first sentence of section 1833(b) is~~
11 ~~amended—~~
12 ~~(A) by striking "and" at the end of clause~~
13 ~~(3), and~~
14 ~~(B) by inserting before the period the follow-~~
15 ~~ing: ", and (5) such deductible shall not apply~~
16 ~~with respect to the benefits described in section~~
17 ~~1832(a)(3)".~~
18 ~~(3) Section 1833(d) (42 U.S.C. 1395l(d)) is~~
19 ~~amended by inserting "(except as provided by subsec-~~
20 ~~tion (a)(5))" before the period.~~
21 ~~(4) Section 1833 (42 U.S.C. 1395l) is amended by~~
22 ~~inserting after subsection (c) the following new~~
23 ~~subsection:~~
24 ~~"(f) In applying subsection (a)(5) in the case of an orga-~~
25 ~~nization receiving payment under clause (A) of subsection~~

1 ~~(a)(1) or under a reasonable cost reimbursement contract~~
2 ~~under section 1876 or in the case of a renal dialysis facility—~~
3 ~~"(1) the Secretary shall provide for an appropriate~~
4 ~~adjustment in the payment amounts otherwise made to~~
5 ~~reflect, in the aggregate, the aggregate increase in~~
6 ~~payments that would otherwise be made with respect~~
7 ~~to enrollees in the organization if payments were made~~
8 ~~other than under such clause or such a contract or~~
9 ~~with respect to individuals furnished services through~~
10 ~~the facility if payments were to be made on an individ-~~
11 ~~ual-by-individual basis, and~~
12 ~~"(2) the organization or facility shall provide as-~~
13 ~~surances satisfactory to the Secretary that the organi-~~
14 ~~zation or facility will not undertake to charge an indi-~~
15 ~~vidual during a year for any catastrophic medical ex-~~
16 ~~penses (as defined in section 1861(ff)(1)) incurred for~~
17 ~~that year.".~~
18 ~~(c) ESTABLISHMENT OF CEILING.—~~
19 ~~(1) Section 1833 (42 U.S.C. 1395l) is further~~
20 ~~amended by adding at the end the following:~~
21 ~~"(m)(1) Not later than November 15 of each year (be-~~
22 ~~ginning with 1987), the Secretary shall promulgate the medi-~~
23 ~~care catastrophic limit under this subsection for the succeed-~~
24 ~~ing year.~~

1 ~~"(2) The medicare catastrophic limit for 1988 is $1,700.~~
2 ~~The medicare catastrophic limit for any succeeding year shall~~
3 ~~be an amount equal to the medicare catastrophic limit for the~~
4 ~~preceding year increased by the applicable increase percent-~~
5 ~~age determined under section 215(i) in the previous year.~~
6 ~~Any amount determined under the preceding sentence which~~
7 ~~is not a multiple of $1 shall be rounded to the nearest multi-~~
8 ~~ple of $1 (or, if it is a multiple of 50 cents but not a multiple~~
9 ~~of $1, to the next higher multiple of $1).".~~
10 ~~(2) Section 1861 (42 U.S.C. 1395x) is amended~~
11 ~~by adding at the end thereof the following:~~
12 ~~"(ff)(1) The term 'catastrophic medical expenses' means,~~
13 ~~with respect to an individual for a calendar year (beginning~~
14 ~~with 1988), any beneficiary cost sharing amounts (as defined~~
15 ~~in paragraph (2)) incurred by an individual in the year after~~
16 ~~the individual has incurred out-of-pocket medical expenses~~
17 ~~(as defined in paragraph (3)) in the year in an amount equal~~
18 ~~to the medicare catastrophic limit established under section~~
19 ~~1833(m) for the year.~~
20 ~~"(2) The term 'beneficiary cost sharing amounts' means~~
21 ~~the amounts of expenses that an individual who is covered by~~
22 ~~the insurance program established under part B incurs that~~
23 ~~are attributable to—~~

1 ~~"(A) the deductions and coinsurance amounts es-~~
2 ~~tablished under section 1813(a) and under subsection~~
3 ~~(y)(3),~~
4 ~~"(B) the deductions established under section~~
5 ~~1833(b), or~~
6 ~~"(C) the difference between the payment amount~~
7 ~~provided under part B and the payment amount that~~
8 ~~would be provided if '100 percent' and '0 percent'~~
9 ~~were substituted for '80 percent' and '20 percent', re-~~
10 ~~spectively, each place either appears in section~~
11 ~~1833(a), in section 1833(i)(2), in section 1835(b)(2),~~
12 ~~and in subsections (b)(2) and (b)(3) of section 1881.~~
13 ~~"(3) The term 'out-of-pocket medical expenses' means~~
14 ~~the amounts expended by an individual who is covered under~~
15 ~~the insurance program established under part B that are—~~
16 ~~"(A) beneficiary cost sharing amounts, or~~
17 ~~"(B) amounts expended by an individual described~~
18 ~~in subsection (s)(2)(J) for immunosuppressive drugs fur-~~
19 ~~nished after the 1-year period specified in such subsec-~~
20 ~~tion (in amounts not to exceed the reasonable charges~~
21 ~~for such drugs).".~~
22 ~~(3) Subsections (e) and (g) of section 1833 (42~~
23 ~~U.S.C. 1395l) are each amended by striking "(a) and~~
24 ~~(b)" and inserting in lieu thereof "(a), (b), and (f)".~~

1 ~~(b) LIMITATION ON CHARGES WHERE MEDICARE~~
2 ~~CATASTROPHIC LIMIT IS REACHED.—Section 1866(a)(2)(A)~~
3 ~~(42 U.S.C. 1395cc(a)(2)(A)), as amended by section 3(c)(4) of~~
4 ~~this Act, is further amended by adding at the end the follow-~~
5 ~~ing new sentence: "A provider of services may not impose a~~
6 ~~charge under the first sentence of this subparagraph for~~
7 ~~services for which payment is made to the provider pursuant~~
8 ~~to section 1833(a)(5) (relating to catastrophic medical~~
9 ~~expenses).".~~
10 ~~SEC. 5. INCREASE IN SUPPLEMENTARY MEDICAL INSURANCE~~
11 ~~PREMIUM.~~
12 ~~(a) IN GENERAL.—Section 1839 (42 U.S.C. 1395r) is~~
13 ~~amended—~~
14 ~~(1) in paragraph (1) of subsection (a), by striking~~
15 ~~all after "(a)(1)" and inserting in lieu thereof the fol-~~
16 ~~lowing: "(A) The Secretary shall, during September of~~
17 ~~1987 and of each year thereafter, determine the~~
18 ~~monthly actuarial basic rate for enrollees age 65 and~~
19 ~~over which shall be applicable for the succeeding cal-~~
20 ~~endar year. The monthly actuarial basic rate deter-~~
21 ~~mined under this paragraph for a calendar year shall~~
22 ~~be the amount the Secretary estimates to be necessary~~
23 ~~so that the aggregate amount for the calendar year~~
24 ~~with respect to those enrollees age 65 and over will~~
25 ~~equal one-half of the total of the benefits and adminis-~~

1 trative costs that the Secretary estimates will be pay-
2 able from the Federal Supplementary Medical Insur-
3 ance Trust Fund for services performed and related ad-
4 ministrative costs incurred in such calendar year with
5 respect to such enrollees (excluding catastrophic cover-
6 age benefits and related administrative costs).
7 "(B) For purposes of this paragraph, the term 'cata-
8 strophic coverage benefits' has the meaning given to such
9 term in subsection (g)(2)(C)(i).";
10 (2) in paragraph (3) of subsection (a) by striking
11 "subsection (c)" and inserting in lieu thereof "subsec-
12 tions (c) and (g)";
13 (3) by striking paragraph (4) of subsection (a) and
14 inserting in lieu thereof the following:
15 "(4)(A) The Secretary shall also, during September of
16 1987 and of each year thereafter, determine the monthly ac-
17 tuarial basic rate for disabled enrollees under age 65 which
18 shall be applicable for the succeeding calendar year. The
19 monthly actuarial basic rate determined under this paragraph
20 for a calendar year shall be the amount the Secretary esti-
21 mates to be necessary so that the aggregate amount for the
22 calendar year with respect to disabled enrollees under age 65
23 will equal one-half of the total of the benefits and administra-
24 tive costs which he estimates will be payable from the Feder-
25 al Supplementary Medical Insurance Trust Fund for services

1 performed and related administrative costs incurred in such
2 calendar year with respect to such enrollees (excluding cata-
3 strophic coverage benefits and related administrative costs).
4 "(B) For purposes of this paragraph, the term 'cata-
5 strophic coverage benefits' has the meaning given to such
6 term in subsection (g)(2)(C)(i).";
7 (4) in paragraph (1) of subsection (c) by striking
8 "monthly actuarial rate" and inserting in lieu thereof
9 "monthly actuarial basic rate"; and
10 (5) by adding at the end thereof the following new
11 subsection:
12 "(g)(1) Notwithstanding any other provision of this sec-
13 tion, except as provided in paragraph (3), the monthly premi-
14 um otherwise determined under this section for an individual
15 for 1988 and any succeeding calendar year shall be increased
16 by an amount equal to the applicable monthly catastrophic
17 coverage premium amount for that year.
18 "(2)(A)(i) The monthly catastrophic coverage premium
19 amount for 1988 for individuals who are covered by the in-
20 surance programs under part A and this part shall be $4. The
21 monthly catastrophic coverage premium amount for such in-
22 dividuals for any succeeding calendar year shall be the
23 monthly catastrophic coverage premium amount determined
24 under this subparagraph for the preceding calendar year, in-
25 creased (or decreased) by the percentage increase (or de-

1 ~~crease) in the actuarial comprehensive catastrophic benefit~~
2 ~~amount for the year for which the determination is made over~~
3 ~~the actuarial comprehensive catastrophic benefit amount for~~
4 ~~such preceding year.~~

5 ~~"(ii) The monthly catastrophic coverage premium~~
6 ~~amount for any calendar year for individuals who are covered~~
7 ~~by the insurance program under this part but not by the in-~~
8 ~~surance program under part A shall be an amount that bears~~
9 ~~the same ratio to the monthly catastrophic coverage premium~~
10 ~~amount determined under clause (i) for such year as the actu-~~
11 ~~arial part B catastrophic benefit amount for such year bears~~
12 ~~to the actuarial comprehensive catastrophic benefit amount~~
13 ~~for such year.~~

14 ~~"(B) If any monthly premium amount determined under~~
15 ~~subparagraph (A) is not a multiple of 10 cents, such premium~~
16 ~~amount shall be rounded to the nearest multiple of 10 cents.~~

17 ~~"(C) For purposes of this paragraph—~~

18 ~~"(i) the term 'catastrophic coverage benefits'~~
19 ~~means benefits payable under this title by reason of the~~
20 ~~enactment of the amendments made by sections 2(a),~~
21 ~~3(a), 4, and 7(b) of the Medicare Catastrophic Loss~~
22 ~~Prevention Act of 1987,~~

23 ~~"(ii) the term 'actuarial comprehensive catastroph-~~
24 ~~ic benefit amount' means, with respect to a calendar~~
25 ~~year, the amount that the Secretary estimates will~~

1 equal the total of the catastrophic coverage benefits
2 (and related administrative costs) that will be payable
3 from the Federal Supplementary Medical Insurance
4 Trust Fund and from the Federal Hospital Insurance
5 Trust Fund in such calendar year with respect to en-
6 rollees under this part, and
7 "(iii) the term 'actuarial part B catastrophic bene-
8 fit amount' means, with respect to a calendar year, the
9 amount the Secretary estimates will equal the total of
10 the catastrophic coverage benefits (and related adminis-
11 trative costs) that will be payable from the Federal
12 Supplementary Medical Insurance Trust Fund in such
13 calendar year with respect to such enrollees (excluding
14 any amounts transferred pursuant to section 1841(j)).
15 "(3) For any calendar year after 1988, if an individual is
16 entitled to monthly benefits under section 202 or 223 for
17 November and December of the preceding year, and if the
18 monthly premium of the individual under this section for De-
19 cember and for January is deducted from those benefits under
20 section 1840(a)(1), the monthly premium otherwise deter-
21 mined under this section for an individual for that year shall
22 not be increased, pursuant to paragraph (1), to the extent
23 that such increase would reduce the amount of benefits pay-
24 able to that individual for that January below the amount of

1 benefits payable to that individual for that December (after
2 the deduction of the premium under this section).".
3 (b) TRANSFERS TO HI TRUST FUND.—Section 1841 is
4 amended by adding at the end the following:
5 "(j) There shall be transferred from time to time from
6 the Trust Fund to the Federal Hospital Insurance Trust
7 Fund amounts from the premiums under this part that are
8 attributable to the changes (under sections 2(a), 3(a), and 7(b)
9 of the Medicare Catastrophic Loss Prevention Act of 1987)
10 in services performed and related administrative costs in-
11 curred in such calendar year with respect to individuals who
12 are covered under the insurance program established by part
13 A.".
14 SEC. 6. SUPPLEMENTAL PREMIUM FOR CATASTROPHIC ILL-
15 NESS COVERAGE.
16 (a) IN GENERAL.—Part B of title XVIII is amended by
17 inserting after section 1839 the following:
18 "SUPPLEMENTAL PREMIUM FOR INDIVIDUALS COVERED BY
19 PART B
20 "SEC. 1839A. (a)(1) Any individual described in para-
21 graph (2) shall pay the applicable supplemental premium in
22 the manner provided in subsection (c).
23 "(2) An individual is described in this paragraph if such
24 individual—

1 ~~"(A) is covered by the insurance program estab-~~
2 ~~lished under this part for any portion of any taxable~~
3 ~~year occurring after December 31, 1987, and~~
4 ~~"(B) has Federal income tax liability for such tax-~~
5 ~~able year in excess of $150.~~
6 ~~"(b) For purposes of this section—~~
7 ~~"(1) The term 'applicable supplemental premium'~~
8 ~~means an amount equal to the product of—~~
9 ~~"(A) the number of months in the taxable~~
10 ~~year during which the individual was covered by~~
11 ~~the insurance program established under this part,~~
12 ~~multiplied by~~
13 ~~"(B) the supplemental premium.~~
14 ~~"(2)(A) The term 'supplemental premium' means~~
15 ~~an amount equal to the product of—~~
16 ~~"(i) the premium rate for the taxable year,~~
17 ~~multiplied by~~
18 ~~"(ii) the amount determined by dividing—~~
19 ~~"(I) the individual's Federal income tax~~
20 ~~liability for such taxable year, by~~
21 ~~"(II) $150.~~
22 ~~If any amount determined under clause (ii) is not a~~
23 ~~whole number, such amount shall be rounded to the~~
24 ~~next lowest whole number.~~

1 ~~"(B)(i) The term 'premium rate' means $1, in-~~
2 ~~creased or decreased by the adjustment under clause~~
3 ~~(ii) for the calendar year in which the taxable year~~
4 ~~begins.~~
5 ~~"(ii) For purposes of clause (i), the adjustment for~~
6 ~~any calendar year beginning after 1988 is the percent-~~
7 ~~age increase or decrease in the actuarial comprehen-~~
8 ~~sive catastrophic benefit amount (within the meaning of~~
9 ~~section 1839(g)(2)(C)(ii)) for such calendar year over~~
10 ~~such amount for the preceding calendar year. For pur-~~
11 ~~poses of 1988, the actuarial comprehensive catastroph-~~
12 ~~ic benefit amount shall be computed as if the medicare~~
13 ~~catastrophic limit under section 1833(m) applied to out-~~
14 ~~of-pocket medical expenses incurred for the entire~~
15 ~~calendar year.~~
16 ~~"(3)(A)(i) In the case of a taxable year beginning~~
17 ~~in a calendar year after 1987 and before 1993, the ap-~~
18 ~~plicable supplemental premium for any individual shall~~
19 ~~not exceed the amount which bears the same ratio to~~
20 ~~the amount determined under the table in clause (ii)~~
21 ~~as—~~
22 ~~"(I) the number of months determined under~~
23 ~~paragraph (1)(A), bears to~~
24 ~~"(II) 12.~~
25 ~~"(ii) For purposes of clause (i)—~~

"If the taxable year begins in:	The amount is:
1988	$ 800
1989	850
1990	900
1991	950
1992	1,000.

1 "(B) In the case of a taxable year beginning in a
2 calendar year after 1992, the applicable supplemental
3 premium for any individual shall not exceed an amount
4 equal to 65 percent of the product of—
5 "(i) the number of months determined under
6 paragraph (1)(A), multiplied by
7 "(ii) the excess of—
8 "(I) the sum of 200 percent of the
9 monthly actuarial basic rate for enrollees age
10 65 or over (as determined under section
11 1839), and the monthly per enrollee actuarial
12 comprehensive catastrophic benefit amount
13 for such calendar year, over
14 "(II) the sum of the basic and cata-
15 strophic monthly premiums for such year (as
16 determined under section 1839 without
17 regard to subsections (f)(2) and (g)(3) there-
18 of).
19 "(4)(A) Except as provided in this paragraph, in
20 the case of married individuals (within the meaning of
21 section 7703 of the Internal Revenue Code of 1986)—

1 ~~"(i) who file a joint return under section~~
2 ~~6013 of such Code, and~~
3 ~~"(ii) 1 or both of whom are described in sub-~~
4 ~~section (a)(2) with respect to such taxable year,~~
5 ~~the applicable supplemental premiums shall be deter-~~
6 ~~mined by treating such individuals as 1 individual.~~
7 ~~"(B) If paragraph (1) applies, the number of~~
8 ~~months taken into account under paragraph (1)(A)~~
9 ~~(other than for purposes of paragraph (3)) shall be de-~~
10 ~~termined by reference to the spouse who was covered~~
11 ~~by the insurance program established under this part~~
12 ~~for the longer period during the taxable year (or if cov-~~
13 ~~ered for the same period, either spouse).~~
14 ~~"(C) If paragraph (1) applies and both spouses are~~
15 ~~covered during the taxable year by the insurance pro-~~
16 ~~gram established under this part, the limitation under~~
17 ~~paragraph (3) shall be equal to the sum of the limita-~~
18 ~~tions computed separately under paragraph (3) for each~~
19 ~~of the spouses.~~
20 ~~"(e) For purposes of the Internal Revenue Code of~~
21 ~~1986, any applicable supplemental premium required to be~~
22 ~~paid under subsection (a)(1) shall be treated as an addition to~~
23 ~~the tax imposed by chapter 1 of such Code for the taxable~~
24 ~~year to which such premium relates.~~

1 ~~"(d)(1) For purposes of this section, the term 'Federal~~
2 ~~income tax liability' means—~~
3 ~~"(A) the tax imposed by chapter 1 of the Internal~~
4 ~~Revenue Code of 1986 (without regard to this section),~~
5 ~~reduced by~~
6 ~~"(B) the amount of the credits allowed under part~~
7 ~~IV of subchapter A of such chapter.~~
8 ~~"(2) For purposes of section 213(d)(1)(C) of the Internal~~
9 ~~Revenue Code of 1986, the applicable supplemental premium~~
10 ~~under subsection (a)(1) shall be treated as a premium paid~~
11 ~~under this part in the taxable year following the taxable year~~
12 ~~to which such premium relates.~~
13 ~~"(e) The Secretary of the Treasury shall, from time to~~
14 ~~time, transfer from the general fund of the Treasury to the~~
15 ~~Federal Supplementary Medical Insurance Trust Fund~~
16 ~~amounts equal to the aggregate monthly supplemental premi-~~
17 ~~ums paid pursuant to this section. Such transfer shall be~~
18 ~~appropriately adjusted to the extent that prior transfers were~~
19 ~~in excess of or less than the amounts required to be trans-~~
20 ~~ferred.".~~
21 ~~(c) INFORMATION REPORTING.—~~
22 ~~(1) Section 6050F(a)(1) of the Internal Revenue~~
23 ~~Code of 1986 (relating to returns relating to Social Se-~~
24 ~~curity benefits) is amended—~~

1 ~~(A) by striking out "and" at the end of sub-~~
2 ~~paragraph (B), and~~
3 ~~(B) by inserting after subparagraph (C) the~~
4 ~~following:~~
5 ~~"(D) the number of months any individual is~~
6 ~~covered by the insurance program established~~
7 ~~under part B of title XVIII of the Social Security~~
8 ~~Act for such calendar year, and".~~
9 ~~(2) Section 6050F(b) of such Code is amended—~~
10 ~~(A) by inserting "or determining the months~~
11 ~~of coverage" after "payments" in paragraph (1),~~
12 ~~and~~
13 ~~(B) by inserting "and the number of months~~
14 ~~of coverage," after "reductions," in paragraph (2).~~
15 ~~(3) Section 6050F(c)(1)(A) of such Code is amend-~~
16 ~~ed by inserting "and months of coverage described in~~
17 ~~subsection (a)(1)(D)" after "section 86(d)(1)(A)".~~
18 ~~(d) CONFORMING AMENDMENTS.—~~
19 ~~(1) Subsection (a)(1) of section 1840 (42 U.S.C.~~
20 ~~1395s) is amended by striking out "(except as provided~~
21 ~~in subsections (b)(1) and (c))" and inserting in lieu~~
22 ~~thereof "(except as provided in section 1839A(a)(2) and~~
23 ~~subsections (b)(1) and (c) of this section)".~~

1 ~~(2) Paragraph (2) of section 26(b) of the Internal~~
2 ~~Revenue Code of 1986 (relating to regular tax liability)~~
3 ~~is amended—~~
4 ~~(A) by striking out "and" at the end of sub-~~
5 ~~paragraph (J),~~
6 ~~(B) by inserting "and" at the end of subpara-~~
7 ~~graph (K), and~~
8 ~~(C) by adding at the end thereof the follow-~~
9 ~~ing new subparagraph:~~
10 ~~"(L) section 1839A of the Social Security~~
11 ~~Act (relating to additions to tax with respect to~~
12 ~~applicable supplemental premiums).".~~
13 ~~SEC. 7. MEDICARE COVERAGE OF HOME HEALTH SERVICES~~
14 ~~ON A DAILY BASIS.~~
15 ~~(a) IN GENERAL.—Section 1861(m) (42 U.S.C.~~
16 ~~1395x(m)) is amended by adding at the end the following:~~
17 ~~"For purposes of paragraphs (1) and (4), nursing care and~~
18 ~~home health aide services may be provided under such para-~~
19 ~~graphs seven days a week (with one or more visits per day)~~
20 ~~for a period of up to 21 days with a physician's certification~~
21 ~~of the need for such care and services on such a basis.".~~
22 ~~(b) ADDITIONAL DAYS FOR CERTAIN INDIVIDUALS.—~~
23 ~~Section 1861(m) (42 U.S.C. 1395x(m)), as amended by sub-~~
24 ~~section (a), is further amended by adding at the end the fol-~~
25 ~~lowing: "In the case of an individual who is covered under~~

1 ~~the insurance program established under part B, and who is~~
2 ~~furnished nursing care and home health aide services within~~
3 ~~30 days after being discharged from a hospital, the preceding~~
4 ~~sentence shall be applied by substituting '45 days' for '21~~
5 ~~days'.''.~~
6 ~~SEC. 8. CLARIFICATION OF REQUIREMENT THAT INDIVIDUAL~~
7 ~~BE CONFINED TO HOME TO BE ELIGIBLE FOR~~
8 ~~HOME HEALTH SERVICES.~~
9 ~~(a) PART A.—Section 1814(a) (42 U.S.C. 1395f(a)) is~~
10 ~~amended by adding at the end thereof the following: ''For~~
11 ~~purposes of paragraph (2)(C), an individual shall be consid-~~
12 ~~ered to be 'confined to his home' if the individual has a condi-~~
13 ~~tion, due to an illness or injury, that restricts the ability of~~
14 ~~the individual to leave his or her home except with the aid of~~
15 ~~a supportive device (such as crutches, a cane, a wheelchair,~~
16 ~~or a walker) or if the individual has a condition such that~~
17 ~~leaving his or her home is medically contraindicated. While~~
18 ~~an individual does not have to be bedridden to be considered~~
19 ~~'confined to his home', the condition of the individual should~~
20 ~~be such that there exists a normal inability to leave home,~~
21 ~~that leaving home requires a considerable and taxing effort~~
22 ~~by the individual, and that absences of the individual from~~
23 ~~home are infrequent or of relatively short duration.''.~~
24 ~~(b) PART B.—Section 1835(a) (42 U.S.C. 1395n(a)) is~~
25 ~~amended by adding at the end thereof the following: ''For~~

1 ~~purposes of paragraph (2)(C), an individual shall be consid-~~
2 ~~ered to be 'confined to his home' if the individual has a condi-~~
3 ~~tion, due to an illness or injury, that restricts the ability of~~
4 ~~the individual to leave his or her home except with the aid of~~
5 ~~a supportive device (such as crutches, a cane, a wheelchair,~~
6 ~~or a walker) or if the individual has a condition such that~~
7 ~~leaving his or her home is medically contraindicated. While~~
8 ~~an individual does not have to be bedridden to be considered~~
9 ~~'confined to his home', the condition of the individual should~~
10 ~~be such that there exists a normal inability to leave home,~~
11 ~~that leaving home requires a considerable and taxing effort~~
12 ~~by the individual, and that absences of the individual from~~
13 ~~home are infrequent or of relatively short duration.''.~~

14 ~~SEC. 9. ANNUAL NOTICE TO MEDICARE BENEFICIARIES.~~

15 ~~(a) NOTICE REQUIRED.—The Secretary of Health and~~
16 ~~Human Services (in this section referred to as the Secretary)~~
17 ~~shall notify each individual who is entitled to benefits under~~
18 ~~title XVIII of the Social Security Act of—~~

19 ~~(1) the benefits that are available under the insur-~~
20 ~~ance programs established under such title (and the~~
21 ~~major categories of health care that are not covered~~
22 ~~under those programs),~~

23 ~~(2) the limitations on payment (including deducti-~~
24 ~~bles and coinsurance amounts) that are imposed under~~
25 ~~such programs, and~~

1 ~~(3) the ways in which such limitations differ for~~
2 ~~individuals who are covered under the program estab-~~
3 ~~lished under part B and individuals who are not cov-~~
4 ~~ered under such program.~~
5 ~~(b) TIMING.—The Secretary shall provide the notice de-~~
6 ~~scribed in subsection (a)—~~
7 ~~(1) when an individual applies for benefits under~~
8 ~~part A or enrolls under part B, and~~
9 ~~(2) annually thereafter.~~
10 ~~(c) CONSULTATION REQUIRED.—The notice required~~
11 ~~by subsection (a) shall be prepared in consultation with~~
12 ~~groups representing the elderly and with health insurers.~~
13 ~~SEC. 10. ADJUSTMENT OF AAPCC'S AND CONTRACTS FOR RISK-~~
14 ~~BASED ELIGIBLE ORGANIZATIONS.~~
15 ~~The Secretary of Health and Human Services (in this~~
16 ~~section referred to as the "Secretary") shall—~~
17 ~~(1) modify any adjusted average per capita cost~~
18 ~~determined under section 1876(a) of the Social Securi-~~
19 ~~ty Act for an eligible organization with a risk-sharing~~
20 ~~contract to take into account the amendments made by~~
21 ~~sections 2(a), 3(a), 4, and 7(b) of this Act,~~
22 ~~(2) modify each such contract, for portions of con-~~
23 ~~tract years occurring after December 31, 1987, to re-~~
24 ~~flect the modifications made pursuant to paragraph (1),~~
25 ~~and~~

1 ~~(3) require each such organization to make appro-~~
2 ~~priate adjustments in the terms of its agreements with~~
3 ~~medicare beneficiaries to take into account such~~
4 ~~amendments.~~

5 ~~SEC. 11. STUDY OF TREATMENT OF PRESCRIPTION DRUGS.~~

6 ~~(a) STUDY REQUIRED.—The Secretary of Health and~~
7 ~~Human Services (in this section referred to as the "Secre-~~
8 ~~tary") shall request the National Academy of Sciences,~~
9 ~~acting through the Institute of Medicine (in this section re-~~
10 ~~ferred to as the "Academy" and the "Institute", respective-~~
11 ~~ly), to enter into a contract under which the Institute, in~~
12 ~~consultation with representatives of appropriate research and~~
13 ~~health-care organizations, will conduct a study to identify ad-~~
14 ~~ditional drugs, available by prescription only, the expendi-~~
15 ~~tures for which might appropriately be covered under title~~
16 ~~XVIII of the Social Security Act or be treated as out-of-~~
17 ~~pocket medical expenses (as defined in section 1861(ff)(3) of~~
18 ~~the Social Security Act) for purposes of making the determi-~~
19 ~~nation described in section 1861(ff)(1) of such Act. The study~~
20 ~~shall include analyses and recommendations with respect to~~
21 ~~appropriate limitations on the amounts to be recognized as~~
22 ~~reasonable for such purposes.~~

23 ~~(b) STUDY EXPENSES.—The Secretary shall enter into~~
24 ~~appropriate arrangements with the Academy under which the~~
25 ~~Secretary shall be responsible for expenses incurred by the~~

1 ~~Academy in connection with the study required by subsec-~~
2 ~~tion (a).~~
3 ~~(c) REPORTS.—~~
4 ~~(1) Not later than six months after the date of the~~
5 ~~enactment of this Act, the Institute shall submit to the~~
6 ~~Secretary, to the Committee on Finance of the Senate,~~
7 ~~and to the Committee on Energy and Commerce and~~
8 ~~the Committee on Ways and Means of the House of~~
9 ~~Representatives, an interim report with respect to the~~
10 ~~study required by subsection (a). The report shall de-~~
11 ~~scribe the manner in which the study is being conduct-~~
12 ~~ed and may include tentative findings and recommen-~~
13 ~~dations based upon the study.~~
14 ~~(2) Not later than twelve months after the date of~~
15 ~~the enactment of this Act, the Institute shall submit to~~
16 ~~the Secretary, to the Committee on Finance of the~~
17 ~~Senate, and to the Committee on Energy and Com-~~
18 ~~merce and the Committee on Ways and Means of the~~
19 ~~House of Representatives, a final report with respect~~
20 ~~to the study required by subsection (a). The report~~
21 ~~shall include specific findings and recommendations~~
22 ~~based upon the study.~~
23 ~~SEC. 12. HOSPICE CARE.~~
24 ~~(a) EXTENSION OF COVERAGE PERIOD.—~~
25 ~~(1) Section 1812 (42 U.S.C. 1395d) is amended—~~

1 ~~(A) in subsection (a)(4), by striking "and one~~
2 ~~subsequent period of 30 days" and inserting in~~
3 ~~lieu thereof ", a subsequent period of 30 days,~~
4 ~~and a subsequent extension period";~~
5 ~~(B) in subsection (d)(1), by striking "and one~~
6 ~~subsequent period of 30 days" and inserting in~~
7 ~~lieu thereof ", a subsequent period of 30 days,~~
8 ~~and a subsequent extension period"; and~~
9 ~~(C) in subsection (d)(2)(B), by inserting "or a~~
10 ~~subsequent extension period" after "30-day~~
11 ~~period".~~
12 ~~(2) Section 1812A(a)(4), as added by section 2(b)~~
13 ~~of this Act, is amended by striking "and one subse-~~
14 ~~quent period of 30 days" and inserting in lieu thereof~~
15 ~~", a subsequent period of 30 days, and a subsequent~~
16 ~~extension period".~~
17 ~~(b) CONTINUED CERTIFICATION OF TERMINAL ILL-~~
18 ~~NESS FOR EXTENDED BENEFITS.—Section 1814(a)(7)(A)~~
19 ~~(42 U.S.C. 1395f(a)(7)(A)) is amended—~~
20 ~~(1) by striking "and" at the end of clause (i),~~
21 ~~(2) by striking the semicolon at the end of clause~~
22 ~~(ii) and inserting in lieu thereof ", and", and~~
23 ~~(3) by adding at the end the following new clause:~~
24 ~~"(iii) in a subsequent extension period, the~~
25 ~~medical director or physician described in clause~~

1 ~~(i)(II) recertifies at the beginning of the period~~
2 ~~that the individual is terminally ill;''.~~
3 ~~SEC. 13. MODEL STANDARDS FOR MEDICARE SUPPLEMENTAL~~
4 ~~HEALTH INSURANCE POLICIES.~~
5 ~~Section 1882 (42 U.S.C. 1395ss) is amended—~~
6 ~~(1) in subsection (a) by striking ''Such certifica-~~
7 ~~tion'' and inserting in lieu thereof ''Subject to subsec-~~
8 ~~tion (k)(3), such certification'',~~
9 ~~(2) in subsection (b) by striking ''(for so long as''~~
10 ~~and inserting in lieu thereof ''(subject to subsection~~
11 ~~(k)(3), for so long as'', and~~
12 ~~(3) by adding at the end thereof the following new~~
13 ~~subsection:~~
14 ~~''(k)(1)(A) If, within the period specified in subparagraph~~
15 ~~(B), the National Association of Insurance Commissioners (in~~
16 ~~this subsection referred to as the 'Association') amends the~~
17 ~~NAIC Model Regulation adopted on June 6, 1979 (as it re-~~
18 ~~lates to medicare supplemental policies) to reflect the~~
19 ~~changes in law made by the Medicare Catastrophic Loss Pre-~~
20 ~~vention Act of 1987, subsection (g)(2)(A) shall be applied,~~
21 ~~effective on and after the date specified in subparagraph (C),~~
22 ~~as if the reference to the Model Regulation adopted on June~~
23 ~~6, 1979, were a reference to the Model Regulation as amend-~~
24 ~~ed by the Association in accordance with this paragraph (in~~

1 ~~this subsection referred to as the 'amended NAIC Model~~
2 ~~Regulation').~~
3 ~~"(B) The period specified in this subparagraph is the~~
4 ~~period beginning on the date of the enactment of the Medi-~~
5 ~~care Catastrophic Loss Prevention Act of 1987 and ending~~
6 ~~on the ninetieth day after such date.~~
7 ~~"(C) The date specified in this subparagraph is the date~~
8 ~~that is 365 days after the date (within the period specified in~~
9 ~~subparagraph (B)) on which the National Association of In-~~
10 ~~surance Commissioners announces the adoption of the~~
11 ~~amendments referred to in subparagraph (A).~~
12 ~~"(2)(A) If the Association does not amend the NAIC~~
13 ~~Model Regulation referred to in subsection (g)(2)(A) during~~
14 ~~the period specified in paragraph (1)(B), the Secretary shall~~
15 ~~issue Federal model standards (in this subsection referred to~~
16 ~~as 'Federal model standards') for medicare supplemental poli-~~
17 ~~cies not later than 90 days after the last day of such period.~~
18 ~~Federal model standards issued by the Secretary pursuant to~~
19 ~~this subparagraph shall reflect the changes in law made by~~
20 ~~the Medicare Catastrophic Loss Prevention Act of 1987.~~
21 ~~"(B) Effective on and after the date that is 365 days~~
22 ~~after the date on which the Secretary issues Federal model~~
23 ~~standards pursuant to subparagraph (A), this section shall be~~
24 ~~applied as if any reference to NAIC Model Standards were a~~
25 ~~reference to the Federal model standards.~~

1 ~~"(3) Notwithstanding any other provision of this section,~~
2 ~~on and after the date specified in paragraph (1)(C) or the date~~
3 ~~specified in paragraph (2)(B) (as the case may be)—~~
4 ~~"(A) no medicare supplemental policy may be cer-~~
5 ~~tified by the Secretary pursuant to subsection (a),~~
6 ~~"(B) no certification made pursuant to subsection~~
7 ~~(a) shall remain in effect, and~~
8 ~~"(B) no State regulatory program shall be found~~
9 ~~to meet (or to continue to meet) the requirements of~~
10 ~~subsection (b)(1),~~
11 ~~unless such policy meets (or such program provides for the~~
12 ~~application of standards equal to or more stringent than) the~~
13 ~~standards set forth in the amended NAIC Model Regulation~~
14 ~~or the Federal model standards (as the case may be).".~~
15 ~~SEC. 14. DETERMINATION OF MEDICAID SAVINGS; STATE~~
16 ~~PLAN REQUIREMENT.~~
17 ~~(a) DETERMINATION OF SAVINGS; NOTICE TO~~
18 ~~STATES.—Before the beginning of each fiscal year (or por-~~
19 ~~tion thereof) for which this section applies to a State, the~~
20 ~~Secretary of Health and Human Services (in this section re-~~
21 ~~ferred to as the "Secretary") shall—~~
22 ~~(1) estimate and determine, with respect to each~~
23 ~~State with a State plan approved under title XIX of~~
24 ~~the Social Security Act, the total amount that would~~
25 ~~have been expended from State funds under such plan~~

~~for such fiscal year (or portion thereof) but for the amendments made by sections 2(a), 3(a), 4, and 7(b) of this Act, and~~

~~(2) notify each such State of such amount.~~

~~(b) STATE PLAN REQUIREMENT.—~~

~~(1) Each State plan shall provide, as a condition of approval under section 1902(a) of the Social Security Act, that—~~

~~(A) an amount equal to the amount of savings that are estimated by the Secretary pursuant to subsection (a) to accrue to the State for such fiscal year (or portion thereof) by reason of the amendments made sections 2(a), 3(a), 4, and 7(b) of this Act, will be expended from State funds for such fiscal year for one or more of the purposes specified in paragraph (2), and~~

~~(B) the amounts expended pursuant to subparagraph (A) will be in addition to any amounts that would have been expended from State funds for such purposes for such fiscal year (or portion thereof) under the State plan (as in effect on the day before the date of the enactment of this Act).~~

~~(2) The purposes specified in this paragraph are—~~

~~(A) to provide coverage under the State plan, pursuant to section 1902(a)(10)(E) of the~~

1 ~~Social Security Act, for individuals described in~~
2 ~~section 1905(p)(1) of such Act, and~~
3 ~~(B) to increase the maintenance needs~~
4 ~~monthly income levels applicable under the plan~~
5 ~~for the community spouses of institutionalized~~
6 ~~individuals.~~
7 ~~(c) EFFECTIVE DATE.—~~
8 ~~(1) Except as provided in paragraph (2), this sec-~~
9 ~~tion shall apply to the calendar quarter beginning on~~
10 ~~January 1, 1988, and 11 consecutive calendar quarters~~
11 ~~thereafter.~~
12 ~~(2)(A) In the case of a State plan for medical as-~~
13 ~~sistance under title XIX of the Social Security Act~~
14 ~~which the Secretary of Health and Human Services~~
15 ~~determines requires State legislation (other than legis-~~
16 ~~lation appropriating funds) in order for the plan to~~
17 ~~meet the additional requirement imposed by subsection~~
18 ~~(b), the State plan shall not be regarded as failing to~~
19 ~~comply with the requirements of such title solely on~~
20 ~~the basis of its failure to meet this additional require-~~
21 ~~ment before the first day of the first calendar quarter~~
22 ~~beginning after the close of the first regular session of~~
23 ~~the State legislature that begins after the date of the~~
24 ~~enactment of this Act.~~

1 ~~(B) In the case of a State plan with respect to~~
2 ~~which the requirement imposed by subsection (b) first~~
3 ~~becomes effective, pursuant to subparagraph (A), for a~~
4 ~~calendar quarter beginning after January 1, 1988, this~~
5 ~~section shall apply to such calendar quarter and 11~~
6 ~~consecutive calendar quarters thereafter.~~
7 ~~SEC. 15. STUDY OF LONG-TERM CARE.~~
8 ~~(a) STUDY REQUIRED.—The Secretary of Health and~~
9 ~~Human Services (in this section referred to as the "Secre-~~
10 ~~tary") shall request the National Academy of Sciences,~~
11 ~~acting through the Institute of Medicine (in this section re-~~
12 ~~ferred to as the "Academy" and the "Institute", respec-~~
13 ~~tively), to enter into a contract under which the Institute will~~
14 ~~conduct a study to—~~
15 ~~(1) explore the options for the private funding of a~~
16 ~~portion of long-term care (including methods by which~~
17 ~~changes in Federal laws, including tax laws, could fa-~~
18 ~~cilitate the development of such funding),~~
19 ~~(2) analyze the effect that the provision of various~~
20 ~~types of private funding of long-term care would have~~
21 ~~on public funding of such care,~~
22 ~~(3) review various options for public sector long-~~
23 ~~term care coverage, both means-tested and universal,~~
24 ~~with respect to their effects on both current and future~~
25 ~~State and Federal spending for health care,~~

1 ~~(4) review the effectiveness and the cost implica-~~
2 ~~tions of community-based long-term care services, in-~~
3 ~~cluding the types of limits necessary to prevent the~~
4 ~~overutilization of such services, and~~
5 ~~(5) analyze, for each approach to the provision of~~
6 ~~long-term care, the relative payments derived from~~
7 ~~users of long-term care, non-utilizing elderly, and em-~~
8 ~~ployed persons (including both pre-funding and pay-as-~~
9 ~~you-go payments).~~
10 ~~(b) CONSIDERATIONS.—In conducting the study under~~
11 ~~subsection (a), the Institute shall take into account—~~
12 ~~(1) the effect that impending demographic changes~~
13 ~~(both near-term and long-term) will have on the vari-~~
14 ~~ous approaches to service utilization and funding, and~~
15 ~~(2) the effect that membership in different socio-~~
16 ~~economic groups has on the need, and ability to pay,~~
17 ~~for long-term care.~~
18 ~~(c) STUDY EXPENSES.—The Secretary shall enter into~~
19 ~~appropriate arrangements with the Academy under which the~~
20 ~~Secretary shall be responsible for expenses incurred by the~~
21 ~~Academy in connection with the study required by subsection~~
22 ~~(a).~~
23 ~~(d) REPORT.—Not later than October 1, 1989, the In-~~
24 ~~stitute shall submit to the Secretary, to the Committee on~~
25 ~~Finance of the Senate, and to the Committee on Energy and~~

~~Commerce and the Committee on Ways and Means of the House of Representatives, a report that—~~

~~(1) describes the study conducted under this section,~~

~~(2) includes a statement of the data obtained under the study, and~~

~~(3) specifies administrative actions and changes in law that the Institute considers to be appropriate to implement the findings of the study.~~

~~SEC. 16. REPORT ON ELIMINATION OF THREE-DAY PRIOR HOSPITALIZATION REQUIREMENT FOR EXTENDED CARE SERVICES.~~

~~Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives on the steps that the Secretary has taken to implement the provisions of section 1812(c) of the Social Security Act (as redesignated by section 2 of this Act), relating to the elimination of the 3-day prior hospitalization requirement for extended care services. The report shall include all studies, data, and other information that the Secretary has available with respect to the implementation of those provisions, and the analyses that~~

1 ~~the Secretary has relied upon as a basis for not eliminating~~
2 ~~such requirement.~~
3 ~~SEC. 17. EFFECTIVE DATE.~~
4 ~~(a) IN GENERAL.—Except as provided in subsection (b),~~
5 ~~this Act and the amendments made by this Act shall apply to~~
6 ~~items and services furnished after, and premiums for months~~
7 ~~beginning after, December 31, 1987.~~
8 ~~(b) Exceptions.—~~
9 ~~(1) Notwithstanding section 1813(a)(1) of the~~
10 ~~Social Security Act, as amended by section 3(a)(2) of~~
11 ~~this Act, in the case of an individual with respect to~~
12 ~~whom—~~
13 ~~(A) a spell of illness (as defined in section~~
14 ~~1861(a) of the Social Security Act) begins before~~
15 ~~January 1, 1988, and~~
16 ~~(B) a period of hospitalization (as defined in~~
17 ~~section 1813(a)(1) of the Social Security Act),~~
18 ~~which is included within that spell of illness,~~
19 ~~begins on or after January 1, 1988, and before~~
20 ~~February 1, 1988,~~
21 ~~no inpatient hospital deductible shall be imposed with~~
22 ~~respect to such period of hospitalization (and such~~
23 ~~period of hospitalization shall not be taken into account~~
24 ~~in determining the application of such deductible to any~~

1 ~~subsequent period of hospitalization beginning for such~~
2 ~~individual on or before December 31, 1988).~~
3 ~~(2) Notwithstanding sections 1812(a)(2)(A),~~
4 ~~1812(b)(2), and 1813(a)(3) of the Social Security Act,~~
5 ~~as amended by sections 2(a)(2)(C), 2(a)(3)(B), and~~
6 ~~3(a)(4) of this Act, respectively, in the case of an indi-~~
7 ~~vidual with respect to whom post-hospital extended~~
8 ~~care services (as defined in section 1861(i) of the Social~~
9 ~~Security Act) are furnished on December 31, 1987, the~~
10 ~~provisions of such sections (as they applied to post-hos-~~
11 ~~pital extended care services furnished on December 31,~~
12 ~~1987) shall continue to apply to such individual until~~
13 ~~the end of the spell of illness during which such serv-~~
14 ~~ices were furnished.~~
15 ~~(3) Notwithstanding section 1861(ff)(1) of the~~
16 ~~Social Security Act, as added by section 4(c)(2) of this~~
17 ~~Act, in determining when an individual has incurred~~
18 ~~out-of-pocket medical expenses (as defined in section~~
19 ~~1861(ff)(3) of such Act) for calendar year 1988 that are~~
20 ~~equal to the medicare catastrophic limit established~~
21 ~~under section 1833(m) of such Act for that year, only~~
22 ~~expenses incurred on or after July 1, 1988, shall be~~
23 ~~taken into account.~~

1 ~~(4) The amendments made by section 6 shall~~
2 ~~apply to taxable years ending after December 31,~~
3 ~~1987.~~
4 ~~(5) The amendments made by section 12 shall~~
5 ~~become effective on the date of the enactment of this~~
6 ~~Act.~~
7 ~~(6) Sections 14, 15, and 16 shall be effective as~~
8 ~~provided in such sections.~~
9 ***SECTION 1. SHORT TITLE; REFERENCES IN ACT; TABLE OF***
10 ***CONTENTS.***
11 *(a) SHORT TITLE.—This Act may be cited as the*
12 *"Medicare Catastrophic Loss Prevention Act of 1987".*
13 *(b) AMENDMENTS TO THE SOCIAL SECURITY ACT.—*
14 *Except as otherwise specifically provided, whenever in this*
15 *Act an amendment is expressed in terms of an amendment to,*
16 *or repeal of, a section or other provision, the reference shall be*
17 *considered to be made to a section or other provision of the*
18 *Social Security Act.*
19 *(c) TABLE OF CONTENTS.—The table of contents of*
20 *this Act is as follows:*

Sec. 1. Short title; references in Act; table of contents.
Sec. 2. Scope of benefits under part A.
Sec. 3. Deductibles and coinsurance under part A.
Sec. 4. Limitation on cost-sharing.
Sec. 5. Increase in part B premium.
Sec. 6. Supplemental premium for catastrophic illness coverage.
Sec. 7. Medicare coverage of home health services on a daily basis.
Sec. 8. Clarification of requirement that individual be confined to home to be eligible for home health services.
Sec. 9. Annual notice to medicare beneficiaries.
Sec. 10. Adjustment of AAPCC's and contracts for risk-based eligible organizations.

Sec. 11. Study of treatment of prescription drugs.
Sec. 12. Hospice care.
Sec. 13. Voluntary certification of medicare supplemental health insurance policies.
Sec. 14. Determination of medicaid savings; State plan requirement.
Sec. 15. Studies of long-term care.
Sec. 16. Case management demonstration projects.
Sec. 17. Repeal of authority to administer proficiency examinations.
Sec. 18. Trustee comments on actuarial soundness of basic and supplemental catastrophic benefit premiums.
Sec. 19. Technical amendment relating to waivers for home and community-based services.
Sec. 20. Technical amendments relating to New Jersey respite care pilot project.
Sec. 21. Effective dates.

1 ***SEC. 2. SCOPE OF BENEFITS UNDER PART A.***

2 *(a) For Individuals Covered Under Parts A*
3 *and B.—Section 1812 (42 U.S.C. 1395d) is amended to*
4 *read as follows:*

5 *"SCOPE OF BENEFITS FOR INDIVIDUALS COVERED*
6 *UNDER PARTS A AND B*

7 *"Sec. 1812. (a) The benefits provided by the insurance*
8 *program under this part to an individual who is covered by*
9 *such program and by the insurance program under part B*
10 *shall consist of entitlement to have payment made on his*
11 *behalf or, in the case of payments referred to in section*
12 *1814(d)(2) to him (subject to the provisions of this part)*
13 *for—*

14 *"(1) inpatient hospital services;*

15 *"(2) extended care services for up to 150 days*
16 *during any calendar year;*

17 *"(3) home health services; and*

18 *"(4) in lieu of certain other benefits, hospice care*
19 *with respect to the individual during up to two periods*

1 *of 90 days each and one subsequent period of 30 days*
2 *with respect to which the individual makes an election*
3 *under subsection (c)(1).*
4 *"(b) Payment under this part for services furnished to*
5 *an individual who is covered by the insurance programs es-*
6 *tablished under this part and part B may not be made for—*
7 *"(1) extended care services furnished to him*
8 *during a calendar year after such services have been*
9 *furnished to him for 150 days during that year; or*
10 *"(2) inpatient psychiatric hospital services fur-*
11 *nished to him after such services have been furnished*
12 *to him for a total of 190 days during his lifetime.*
13 *"(c)(1) Payment under this part may be made for hos-*
14 *pice care provided with respect to an individual only during*
15 *two periods of 90 days each and one subsequent period of 30*
16 *days during the individual's lifetime and only, with respect*
17 *to each such period, if the individual makes an election under*
18 *this paragraph to receive hospice care under this part provid-*
19 *ed by, or under arrangements made by, a particular hospice*
20 *program instead of certain other benefits under this title.*
21 *"(2)(A) Except as provided in subparagraphs (B) and*
22 *(C) and except in such exceptional and unusual circum-*
23 *stances as the Secretary may provide, if an individual makes*
24 *such an election for a period with respect to a particular hos-*
25 *pice program, the individual shall be deemed to have waived*

1 *all rights to have payment made under this title with respect*
2 *to—*
3 *"(i) hospice care provided by another hospice pro-*
4 *gram (other than under arrangements made by the par-*
5 *ticular hospice program) during the period, and*
6 *"(ii) services furnished during the period that are*
7 *determined (in accordance with guidelines of the Secre-*
8 *tary) to be—*
9 *"(I) related to the treatment of the individ-*
10 *ual's condition with respect to which a diagnosis*
11 *of terminal illness has been made, or*
12 *"(II) equivalent to (or duplicative of) hospice*
13 *care;*
14 *except that clause (ii) shall not apply to physicians' services*
15 *furnished by the individual's attending physician (if not an*
16 *employee of the hospice program) or to services provided by*
17 *(or under arrangements made by) the hospice program.*
18 *"(B) After an individual makes such an election with*
19 *respect to a 90- or 30-day period, the individual may revoke*
20 *the election during the period, in which case—*
21 *"(i) the revocation shall act as a waiver of the*
22 *right to have payment made under this part for any*
23 *hospice care benefits for the remaining time in such*
24 *period and (for purposes of subparagraph (A), subsec-*
25 *tion (a)(4), and section 1812A(a)(4)) the individual*

1 *shall be deemed to have been provided such benefits*
2 *during such entire period, and*
3 *"(ii) the individual may at any time after the rev-*
4 *ocation execute a new election for a subsequent period,*
5 *if the individual otherwise is entitled to hospice care*
6 *benefits with respect to such a period.*
7 *"(C) An individual may, once in each such period,*
8 *change the hospice program with respect to which election is*
9 *made and such change shall not be considered a revocation of*
10 *an election under subparagraph (B).*
11 *"(D) For purposes of this title, an individual's election*
12 *with respect to a hospice program shall no longer be consid-*
13 *ered to be in effect with respect to that hospice program after*
14 *the date the individual's revocation or change of election with*
15 *respect to that election takes effect.*
16 *"(d) For purposes of subsection (b), inpatient psychiat-*
17 *ric hospital services and extended care services shall be taken*
18 *into account only if payment is or would be, except for this*
19 *section or the failure to comply with the request and certifica-*
20 *tion requirements of or under section 1814(a), made with*
21 *respect to such services under this part.".*
22 *(b) FOR INDIVIDUALS COVERED UNDER PART A*
23 *ONLY.—Part A of title XVIII is amended by inserting after*
24 *section 1812 the following:*

1 *"SCOPE OF BENEFITS FOR INDIVIDUALS COVERED*
2 *UNDER PART A ONLY*

3 *"SEC. 1812A. (a) The benefits provided by the insur-*
4 *ance program under this part to an individual who is covered*
5 *by such program but not by the insurance program under*
6 *part B shall consist of entitlement to have payment made on*
7 *his behalf or, in the case of payments referred to in section*
8 *1814(d)(2) to him (subject to the provisions of this part)*
9 *for—*

10 *"(1) inpatient hospital services for up to 150 days*
11 *during any spell of illness minus 1 day for each day of*
12 *inpatient hospital services in excess of 90 days received*
13 *during any preceding spell of illness (if such individ-*
14 *ual was entitled to have payment for such services*
15 *made under this part unless the individual specifies in*
16 *accordance with regulations of the Secretary that the*
17 *individual does not desire to have such payment made);*

18 *"(2)(A) post-hospital extended care services for up*
19 *to 100 days during any spell of illness, and (B) to the*
20 *extent provided in subsection (f), extended care services*
21 *that are not post-hospital extended care services;*

22 *"(3) home health services; and*

23 *"(4) in lieu of certain other benefits, hospice care*
24 *with respect to the individual during up to two periods*
25 *of 90 days each and one subsequent period of 30 days*

1 *with respect to which the individual makes an election*
2 *under section 1812(c)(1).*
3 *"(b) Payment under this part for services furnished*
4 *during a spell of illness to an individual who is covered by*
5 *the insurance program under this part but not by the insur-*
6 *ance program under part B may not (subject to subsection*
7 *(c)) be made for—*
8 *"(1) inpatient hospital services furnished to the*
9 *individual during such spell after such services have*
10 *been furnished to the individual for 150 days during*
11 *such spell minus 1 day for each day of inpatient hospi-*
12 *tal services in excess of 90 days received during any*
13 *preceding spell of illness (if such individual was enti-*
14 *tled to have payment for such services made under this*
15 *part unless he specifies in accordance with regulations*
16 *of the Secretary that he does not desire to have such*
17 *payment made);*
18 *"(2) post-hospital extended care services furnished*
19 *to the individual during such spell after such services*
20 *have been furnished to the individual for 100 days*
21 *during such spell; or*
22 *"(3) inpatient psychiatric hospital services fur-*
23 *nished to the individual after such services have been*
24 *furnished to the individual for a total of 190 days*
25 *during the lifetime of the individual.*

1 *"(c) If an individual is an inpatient of a psychiatric*
2 *hospital on the first day of the first month for which he is*
3 *entitled to benefits under this part, the days on which he was*
4 *an inpatient of such a hospital in the 150-day period imme-*
5 *diately before such first day shall be included in determining*
6 *the number of days limit under subsection (b)(1) insofar as*
7 *such limit applies to (1) inpatient psychiatric hospital serv-*
8 *ices, or (2) inpatient hospital services for an individual who*
9 *is an inpatient primarily for the diagnosis or treatment of*
10 *mental illness (but shall not be included in determining such*
11 *number of days limit insofar as it applies to other inpatient*
12 *hospital services or in determining the 190-day limit under*
13 *subsection (b)(3)).*
14 *"(d) The provisions of section 1812(c) shall apply to*
15 *individuals who are covered by the insurance program under*
16 *this part but not by the insurance program under part B in*
17 *the same manner and to the same extent as those provisions*
18 *apply to individuals who are covered under both such pro-*
19 *grams.*
20 *"(e) For purposes of subsections (b) and (c), inpatient*
21 *hospital services, inpatient psychiatric hospital services, and*
22 *post-hospital extended care services shall be taken into ac-*
23 *count only if payment is or would be, except for this section*
24 *or the failure to comply with the request and certification*

1 *requirements of or under section 1814(a), made with respect*
2 *to such services under this part.*
3 *"(f)(1) The Secretary shall provide for coverage, under*
4 *subsection (a)(2)(B), of extended care services which are not*
5 *post-hospital extended care services at such time and for so*
6 *long as the Secretary determines, and under such terms and*
7 *conditions (described in paragraph (2)) as the Secretary*
8 *finds appropriate, that the inclusion of such services will not*
9 *result in any increase in the total of payments made under*
10 *this title and will not alter the acute care nature of the benefit*
11 *described is subsection (a)(2).*
12 *"(2) The Secretary may provide—*
13 *"(A) for such limitations on the scope and extent*
14 *of services described in subsection (a)(2)(B) and on the*
15 *categories of individuals who may be eligible to receive*
16 *such services, and*
17 *"(B) notwithstanding sections 1814, 1861(v), and*
18 *1886, for such restrictions and alternatives on the*
19 *amounts and methods of payment for services described*
20 *in such subsection,*
21 *as may be necessary to carry out paragraph (1).".*
22 *(c) CONFORMING CHANGES.—*
23 *(1)(A) Section 1814(e) (42 U.S.C. 1395f(e)) is*
24 *amended by inserting "or section 1812A" after "sec-*
25 *tion 1812".*

1 *(B) Section 1861(dd)(2)(A)(iii) (42 U.S.C.*
2 *1395x(dd)(2)(A)(iii)) is amended by striking "section*
3 *1812(d)" and inserting in lieu thereof "section*
4 *1812(c)".*
5 *(C) Section 1903(g)(1) (42 U.S.C. 1396a(g)(1))*
6 *is amended by inserting "or section 1812A" after*
7 *"1812".*
8 *(2)(A) Section 1811 (42 U.S.C. 1395c) is*
9 *amended by striking "related post-hospital" and insert-*
10 *ing in lieu thereof "extended care services".*
11 *(B) Section 1814(a)(2)(B) is amended—*
12 *(i) by inserting "(i)" after "(B)",*
13 *(ii) by striking the semicolon at the end*
14 *thereof and inserting in lieu thereof ", and", and*
15 *(iii) by adding at the end thereof the follow-*
16 *ing:*
17 *"(ii) in the case of extended care serv-*
18 *ices, such services are or were required to be*
19 *given because the individual needs or needed*
20 *on a daily basis skilled nursing care (provid-*
21 *ed directly by or requiring the supervision of*
22 *skilled nursing personnel) or other skilled re-*
23 *habilitative services, which as a practical*
24 *matter can only be provided in a skilled*
25 *nursing facility;".*

1 *(C) Section 1814(a)(6) (42 U.S.C. 1395f(a)(6))*
2 *is amended—*
3 *(i) by inserting ", extended care services,"*
4 *after "inpatient hospital services" the first place it*
5 *appears, and*
6 *(ii) by inserting ", further extended care*
7 *services," after "inpatient hospital services" the*
8 *second place it appears.*
9 *(D) Section 1861(v)(1)(G)(i) (42 U.S.C.*
10 *1395x(v)(1)(G)(i)) is amended—*
11 *(i) by striking "post-hospital extended care*
12 *services" each place it appears and inserting in*
13 *lieu thereof "extended care services or post-hospi-*
14 *tal extended care services", and*
15 *(ii) by striking "and such extended care*
16 *services" and inserting in lieu thereof "and such*
17 *services".*
18 *(E) Paragraphs (2) and (3) of section 1861(v)*
19 *(42 U.S.C. 1395x(v)) are each amended by inserting*
20 *", extended care services," after "psychiatric hospital*
21 *services)".*
22 *(F) For related conforming amendments to para-*
23 *graphs (2) and (3) of section 1861(y) (42 U.S.C.*
24 *1395x(y)), see section 3(c)(3) of this Act.*

1 *(G) Section 1866 (42 U.S.C. 1395cc) is*
2 *amended—*
3 *(i) in subsection (b)(3), by inserting ", ex-*
4 *tended care services," after "psychiatric hospital*
5 *services)", and*
6 *(ii) in subsection (d), by inserting "extended*
7 *care services or" after "or for".*
8 *(H) Subsections (d) and (f) of section 1883 (42*
9 *U.S.C. 1395tt) are amended by striking "post-hospital*
10 *extended care services" each place it appears and in-*
11 *serting in lieu thereof "extended care services or post-*
12 *hospital extended care services".*

13 ***SEC. 3. DEDUCTIBLES AND COINSURANCE UNDER PART A.***

14 *(a) FOR INDIVIDUALS COVERED UNDER PARTS A*
15 *AND B.—Section 1813 (42 U.S.C. 1395e) is amended to*
16 *read as follows:*

17 *"DEDUCTIBLES AND COINSURANCE FOR INDIVIDUALS*
18 *COVERED UNDER PARTS A AND B*

19 *"SEC. 1813. (a)(1)(A) Subject to subparagraph (C),*
20 *the amount payable for inpatient hospital services furnished*
21 *to an individual who is covered by the insurance programs*
22 *under this part and part B during the individual's first*
23 *period of hospitalization to begin during a calendar year*
24 *shall be reduced by a deduction equal to the inpatient hospi-*
25 *tal deductible for that year or, if less, the charges imposed*
26 *with respect to such individual for such services, except that,*

1 *if the customary charges for such services are greater than the*
2 *charges so imposed, such customary charges shall be consid-*
3 *ered to be the charges so imposed.*
4 *"(B) For purposes of subparagraph (A), the term*
5 *'period of hospitalization' means, with respect to an individ-*
6 *ual, the period beginning on the first day the individual is*
7 *furnished inpatient hospital services and ending on the indi-*
8 *vidual's date of discharge (as established by the Secretary for*
9 *purposes of section 1886) from the hospital (or, in the case of*
10 *a transfer, hospitals) involved.*
11 *"(C) In the case of an individual with respect to*
12 *whom—*
13 *"(i) a period of hospitalization begins during De-*
14 *cember of any calendar year,*
15 *"(ii) an inpatient hospital deductible is imposed*
16 *with respect to such period of hospitalization, and*
17 *"(iii) a period of hospitalization begins during*
18 *January of the following calendar year,*
19 *no inpatient hospital deductible shall be imposed with respect*
20 *to a period of hospitalization beginning in January of such*
21 *following year (and such period of hospitalization shall not be*
22 *taken into account in determining the application of an inpa-*
23 *tient hospital deductible to any period of hospitalization be-*
24 *ginning for such individual after January 31 of such follow-*
25 *ing year).*

1 *"(2) The amount payable to any provider of services*
2 *under this part for services furnished during any calendar*
3 *year to an individual who is covered by the programs estab-*
4 *lished under this part and part B shall be further reduced by*
5 *a deduction equal to the cost of the first 3 pints of whole blood*
6 *(or equivalent quantities of packed red blood cells, as defined*
7 *under regulations) furnished to him as part of such services*
8 *during that year.*

9 *"(3)(A) The amount payable for extended care services*
10 *furnished in any calendar year to an individual who is cov-*
11 *ered by the insurance programs established under this part*
12 *and part B shall be reduced by the coinsurance amount (pro-*
13 *mulgated under subparagraph (C) for that year) for each of*
14 *the first 10 days on which he is furnished such services*
15 *during any stay in a skilled nursing facility, but in no event*
16 *shall a coinsurance amount be imposed under this paragraph*
17 *with respect to an individual for more than 10 days in any*
18 *calendar year.*

19 *"(B) Before September 1 of each year (beginning with*
20 *1987), the Secretary shall estimate the national average per*
21 *diem reasonable cost recognized under this title for extended*
22 *care services that will be furnished in the succeeding calendar*
23 *year.*

24 *"(C) The Secretary shall, in September of each year*
25 *(beginning with 1987), promulgate the coinsurance amount*

1 *that shall apply to extended care services furnished in the*
2 *succeeding year. Such amount shall be equal to 15 percent of*
3 *the national average per diem cost estimated under subpara-*
4 *graph (B) for that year. If the coinsurance amount deter-*
5 *mined under the preceding sentence is not a multiple of $1, it*
6 *shall be rounded to the nearest multiple of $1 (or, if it is a*
7 *multiple of 50 cents but not a multiple of $1, to the next*
8 *higher multiple of $1).*

9 *"(4)(A) The amount payable for hospice care shall be*
10 *reduced—*

11 *"(i) in the case of drugs and biologicals provided*
12 *on an outpatient basis by (or under arrangements*
13 *made by) the hospice program, by a coinsurance*
14 *amount equal to an amount (not to exceed $5 per pre-*
15 *scription) determined in accordance with a drug copay-*
16 *ment schedule (established by the hospice program)*
17 *which is related to, and approximates 5 percent of, the*
18 *cost of the drug or biological to the program, and*

19 *"(ii) in the case of respite care provided by (or*
20 *under arrangements made by) the hospice program, by*
21 *a coinsurance amount equal to 5 percent of the amount*
22 *estimated by the hospice program (in accordance with*
23 *regulations of the Secretary) to be equal to the amount*
24 *of payment under section 1814(i) to that program for*
25 *respite care;*

1 *except that the total of the coinsurance required under clause*
2 *(ii) for an individual may not exceed for a hospice coinsur-*
3 *ance period the inpatient hospital deductible applicable for*
4 *the year in which the period began. For purposes of this sub-*
5 *paragraph, the term 'hospice coinsurance period' means, for*
6 *an individual, a period of consecutive days beginning with*
7 *the first day for which an election under section 1812(c) is in*
8 *effect for the individual and ending with the close of the first*
9 *period of 14 consecutive days on each of which such an elec-*
10 *tion is not in effect for the individual.*

11 *"(B) During the period of an election by an individual*
12 *under section 1812(c)(1), no copayments or deductibles other*
13 *than those under subparagraph (A) shall apply with respect*
14 *to services furnished to such individual which constitute hos-*
15 *pice care, regardless of the setting in which such services are*
16 *furnished.*

17 *"(b)(1) The inpatient hospital deductible for 1987 shall*
18 *be $520. The inpatient hospital deductible for any succeeding*
19 *year shall be an amount equal to the inpatient hospital de-*
20 *ductible for the preceding calendar year, changed by the ap-*
21 *plicable percentage increase (as defined in section*
22 *1886(b)(3)(B)) which is applied under section 1886(d)(3)(A)*
23 *for discharges in the fiscal year that begins on October 1 of*
24 *such preceding calendar year, and adjusted to reflect changes*
25 *in real case mix (determined on the basis of the most recent*

1 *case mix data available). Any amount determined under the*
2 *preceding sentence which is not a multiple of $4 shall be*
3 *rounded to the nearest multiple of $4 (or, if it is midway*
4 *between two multiples of $4, the next higher multiple of $4).*
5 *"(2) The Secretary shall promulgate the inpatient hos-*
6 *pital deductible and all coinsurance amounts under this sec-*
7 *tion between September 1 and September 15 of the year pre-*
8 *ceding the year to which they will apply.".*
9 *(b) For Individuals Covered Under Part A*
10 *Only.—Part A of title XVIII is amended by inserting after*
11 *section 1813 the following:*
12 *"DEDUCTIBLES AND COINSURANCE AMOUNTS FOR*
13 *INDIVIDUALS COVERED UNDER PART A ONLY*
14 *"Sec. 1813A. (a)(1) The amount payable for inpatient*
15 *hospital services furnished during any spell of illness to an*
16 *individual who is covered by the insurance program under*
17 *this part but not by the insurance program under part B*
18 *shall be reduced by a deduction equal to the inpatient hospi-*
19 *tal deductible or, if less, the charges imposed with respect to*
20 *such individual for such services, except that, if the custom-*
21 *ary charges for such services are greater than the charges so*
22 *imposed, such customary charges shall be considered to be the*
23 *charges so imposed. Such amount shall be further reduced by*
24 *a coinsurance amount equal to—*
25 *"(A) one-fourth of the inpatient hospital deducti-*
26 *ble for each day (before the 91st day) on which such*

1 *individual is furnished such services during such spell*
2 *of illness after such services have been furnished to*
3 *him for 60 days during such spell; and*
4 *"(B) one-half of the inpatient hospital deductible*
5 *for each day (before the day following the last day for*
6 *which such individual is entitled under section*
7 *1812A(a)(1) to have payment made on his behalf for*
8 *inpatient hospital services during such spell of illness)*
9 *on which such individual is furnished such services*
10 *during such spell of illness after such services have*
11 *been furnished to him for 90 days during such spell;*
12 *except that the reduction under this sentence for any day*
13 *shall not exceed the charges imposed for that day with respect*
14 *to such individual for such services (and for this purpose, if*
15 *the customary charges for such services are greater than the*
16 *charges so imposed, such customary charges shall be consid-*
17 *ered to be the charges so imposed).*
18 *"(2) The amount payable to any provider of services*
19 *under this part for services furnished during any spell of*
20 *illness to an individual who is covered by the insurance pro-*
21 *gram under this part but not by the insurance program under*
22 *part B shall be further reduced by a deduction equal to the*
23 *cost of the first 3 pints of whole blood (or equivalent quanti-*
24 *ties of packed red blood cells, as defined under regulations)*

1 *furnished to him as part of such services during such spell of*
2 *illness.*
3 *"(3) The amount payable for post-hospital extended care*
4 *services furnished during any spell of illness to an individual*
5 *who is covered by the insurance program under this part but*
6 *not by the insurance program under part B shall be reduced*
7 *by a coinsurance amount equal to one-eighth of the inpatient*
8 *hospital deductible for each day (before the 101st day) on*
9 *which the individual is furnished such services after such*
10 *services have been furnished to the individual for 20 days*
11 *during such spell.*
12 *"(b) The provisions of section 1813(a)(4) shall apply to*
13 *individuals who are covered by the insurance program under*
14 *this part but not by the insurance program under part B in*
15 *the same manner and to the same extent as those provisions*
16 *apply to individuals covered under both such programs.*
17 *"(c)(1) For purposes of this section, the 'inpatient hospi-*
18 *tal deductible' for a year is the inpatient hospital deductible*
19 *promulgated under section 1813 for that year.*
20 *"(2) The inpatient hospital deductible for a year shall*
21 *apply to—*
22 *"(A) the deduction under the first sentence of sub-*
23 *section (a)(1) for the year in which the first day of in-*
24 *patient hospital services occurs in a spell of illness,*
25 *and*

1 *"(B) to the coinsurance amounts under subsection*
2 *(a) for inpatient hospital services and post-hospital ex-*
3 *tended care services furnished in that year.".*
4 *(c) CONFORMING CHANGES.—*
5 *(1) Section 1814 (42 U.S.C. 1395f) is*
6 *amended—*
7 *(A) in subsection (b) by striking "sections*
8 *1813 and 1886" in the matter preceding para-*
9 *graph (1) and inserting in lieu thereof "sections*
10 *1813, 1813A, and 1886", and*
11 *(B) in subsections (d) and (f) by striking*
12 *"section 1813" each place it appears and insert-*
13 *ing in lieu thereof "sections 1813 and 1813A".*
14 *(2) Section 1833(d) (42 U.S.C. 1395l(d)) is*
15 *amended by inserting "or section 1813A" after "sec-*
16 *tion 1813".*
17 *(3) Section 1861(y) (42 1395x(y)) is amended by*
18 *striking paragraphs (2) and (3) and inserting in lieu*
19 *thereof the following:*
20 *"(2)(A) Notwithstanding any other provision of this*
21 *title, payment may not be made under part A for services*
22 *furnished to an individual who is covered by the insurance*
23 *programs under such part and part B in a skilled nursing*
24 *facility to which paragraph (1) applies unless such individ-*
25 *ual elects, in accordance with regulations, for a calendar year*

1 *to have such services treated as extended care services for*
2 *purposes of such part; and payment under part A may not be*
3 *made for extended care services—*
4 *"(i) furnished to an individual during such year*
5 *in a skilled nursing facility to which paragraph (1) ap-*
6 *plies after—*
7 *"(I) such services have been furnished to*
8 *him in such a facility for 30 days during such*
9 *year, or*
10 *"(II) such services have been furnished to*
11 *him during such year in a skilled nursing facility*
12 *to which such paragraph does not apply; or*
13 *"(ii) furnished to an individual during such year*
14 *in a skilled nursing facility to which paragraph (1)*
15 *does not apply after such services have been furnished*
16 *to him during such year in a skilled nursing facility to*
17 *which such paragraph applies.*
18 *"(B) In the case of an individual who is covered by the*
19 *insurance program under part A but not by the insurance*
20 *program under part B, the provisions of subparagraph (A)*
21 *shall be applied by substituting 'spell of illness' for 'calendar*
22 *year', by substituting 'spell' for 'year' each place it appears,*
23 *and by substituting 'post-hospital extended care services' for*
24 *'extended care services' each place it appears.*

1 *"(3)(A) The amount payable under part A for extended*
2 *care services furnished during any calendar year in a skilled*
3 *nursing facility to which paragraph (1) applies to an individ-*
4 *ual who is covered by the insurance programs established*
5 *under such part and part B shall be reduced by a coinsur-*
6 *ance amount equal to the coinsurance amount established*
7 *under section 1813(a)(3)(C) for each day before the 10th*
8 *day.*

9 *"(B)(i) The amount payable under part A for post-hos-*
10 *pital extended care services furnished during any calendar*
11 *year to an individual who is covered by the insurance pro-*
12 *gram established under such part but not by the insurance*
13 *program established under part B in a skilled nursing facili-*
14 *ty to which paragraph (1) applies shall be reduced by a coin-*
15 *surance amount equal to one-eighth of the inpatient hospital*
16 *deductible for each day before the 31st day on which the indi-*
17 *vidual is furnished such services in a facility during such*
18 *spell (and the reduction under this paragraph shall be in lieu*
19 *of any reduction under section 1813A(a)(3).*

20 *"(ii) For purposes of this subparagraph—*

21 *"(I) the 'inpatient hospital deductible' for a year*
22 *is the inpatient hospital deductible promulgated under*
23 *section 1813 for that year, and*

1 *"(II) the inpatient hospital deductible for a year shall*
2 *apply to the coinsurance amounts under clause (i) for post-*
3 *hospital extended care services furnished in that year.".*
4 *(4) Section 1866(a)(2) (42 U.S.C. 1395cc(a)(2))*
5 *is amended—*
6 *(A) in subparagraph (A) by striking "section*
7 *1813(a)(1), (a)(3), or (a)(4)," and inserting in*
8 *lieu thereof "paragraph (1), (3), or (4) of section*
9 *1813, paragraph (1) or (3) of section 1813A,",*
10 *and*
11 *(B) in subparagraph (C) by inserting "or*
12 *section 1813A(a)(2)" after "section 1813(a)(2)".*
13 *(5) Section 1886 (42 U.S.C. 1395ww) is amend-*
14 *ed by striking "section 1813" each place it appears in*
15 *subsections (b)(1) and (d)(1)(A) and inserting in lieu*
16 *thereof "sections 1813 and 1813A".*
17 ***SEC. 4. LIMITATION ON COST-SHARING.***
18 *(a) SCOPE OF BENEFITS.—Section 1832(a) (42*
19 *U.S.C. 1395k(a)) is amended—*
20 *(1) by striking "and" at the end of paragraph (1),*
21 *(2) by striking the period at the end of paragraph*
22 *(2) and inserting in lieu thereof "; and", and*
23 *(3) by adding at the end thereof the following:*
24 *"(3) entitlement to have payment made to him or*
25 *on his behalf (subject to the provisions of this title) for*

1 *any catastrophic medical expenses (as defined in sec-*
2 *tion 1861(ff)(1)) for a calendar year.".*
3 *(b) PAYMENT OF BENEFITS.—*
4 *(1) Section 1833(a) (42 U.S.C. 1395l(a)) is*
5 *amended—*
6 *(A) by striking "and" at the end of para-*
7 *graph (3),*
8 *(B) by striking the period at the end of para-*
9 *graph (4) and inserting in lieu thereof "; and",*
10 *and*
11 *(C) by adding at the end the following:*
12 *"(5) in the case of catastrophic medical expenses*
13 *described in section 1832(a)(3), 100 percent of such*
14 *expenses.".*
15 *(2) The first sentence of section 1833(b) is*
16 *amended—*
17 *(A) by striking "and" at the end of clause*
18 *(3), and*
19 *(B) by inserting before the period the follow-*
20 *ing: ", and (5) such deductible shall not apply*
21 *with respect to the benefits described in section*
22 *1832(a)(3)".*
23 *(3) Section 1833(d) (42 U.S.C. 1395l(d)) is*
24 *amended by inserting "(except as provided by subsec-*
25 *tion (a)(5))" before the period.*

1 *(4) Section 1833 (42 U.S.C. 1395l) is amended*
2 *by inserting after subsection (e) the following new sub-*
3 *section:*
4 *"(f) In applying subsection (a)(5) in the case of an or-*
5 *ganization receiving payment under clause (A) of subsection*
6 *(a)(1) or under a reasonable cost reimbursement contract*
7 *under section 1876 or in the case of a renal dialysis*
8 *facility—*
9 *"(1) the Secretary shall provide for an appropri-*
10 *ate adjustment in the payment amounts otherwise*
11 *made to reflect, in the aggregate, the aggregate increase*
12 *in payments that would otherwise be made with respect*
13 *to enrollees in the organization if payments were made*
14 *other than under such clause or such a contract or with*
15 *respect to individuals furnished services through the fa-*
16 *cility if payments were to be made on an individual-*
17 *by-individual basis, and*
18 *"(2) the organization or facility shall provide as-*
19 *surances satisfactory to the Secretary that the organi-*
20 *zation or facility will not undertake to charge an indi-*
21 *vidual during a year for any catastrophic medical ex-*
22 *penses (as defined in section 1861(ff)(1)) incurred for*
23 *that year.".*
24 *(c) ESTABLISHMENT OF CEILING.—*

1 *(1) Section 1833 (42 U.S.C. 1395l) is further*
2 *amended by adding at the end the following:*
3 *"(m)(1) Not later than November 15 of each year (be-*
4 *ginning with 1987), the Secretary shall promulgate the medi-*
5 *care catastrophic limit under this subsection for the succeed-*
6 *ing year.*
7 *"(2) The medicare catastrophic limit for 1988 is*
8 *$1,700. The medicare catastrophic limit for any succeeding*
9 *year shall be an amount equal to the medicare catastrophic*
10 *limit for the preceding year increased by the applicable in-*
11 *crease percentage determined under section 215(i) in the pre-*
12 *vious year. Any amount determined under the preceding sen-*
13 *tence which is not a multiple of $1 shall be rounded to the*
14 *nearest multiple of $1 (or, if it is a multiple of 50 cents but*
15 *not a multiple of $1, to the next higher multiple of $1).".*
16 *(2) Section 1861 (42 U.S.C. 1395x) is amended*
17 *by adding at the end thereof the following:*
18 *"(ff)(1) The term 'catastrophic medical expenses'*
19 *means, with respect to an individual for a calendar year (be-*
20 *ginning with 1988), any beneficiary cost sharing amounts*
21 *(as defined in paragraph (2)) incurred by an individual in*
22 *the year after the individual has incurred out-of-pocket medi-*
23 *cal expenses (as defined in paragraph (3)) in the year in an*
24 *amount equal to the medicare catastrophic limit established*
25 *under section 1833(m) for the year.*

1 *"(2) The term 'beneficiary cost sharing amounts' means*
2 *the amounts of expenses that an individual who is covered by*
3 *the insurance program established under part B incurs that*
4 *are attributable to—*
5 *"(A) the deductions and coinsurance amounts es-*
6 *tablished under section 1813(a) and under subsection*
7 *(y)(3),*
8 *"(B) the deductions established under section*
9 *1833(b), or*
10 *"(C) the difference between the payment amount*
11 *provided under part B and the payment amount that*
12 *would be provided if '100 percent' and '0 percent' were*
13 *substituted for '80 percent' and '20 percent', respective-*
14 *ly, each place either appears in section 1833(a), in sec-*
15 *tion 1833(i)(2), in section 1835(b)(2), and in subsec-*
16 *tions (b)(2) and (b)(3) of section 1881.*
17 *"(3) The term 'out-of-pocket medical expenses' means*
18 *the amounts expended by an individual who is covered under*
19 *the insurance program established under part B that are—*
20 *"(A) beneficiary cost sharing amounts,*
21 *"(B) amounts expended by an individual de-*
22 *scribed in subsection (s)(2)(J) for immunosuppressive*
23 *drugs furnished after the 1-year period specified in*
24 *such subsection (in amounts not to exceed the reasona-*
25 *ble charges for such drugs), and*

1 *"(C) amounts expended for qualified examina-*
2 *tions for the early detection of cancer (in amounts not*
3 *to exceed the reasonable charges for such examina-*
4 *tions).*
5 *"(4) An examination that is performed with respect to*
6 *an individual covered by the insurance program under part*
7 *B shall be treated as a 'qualified examination for the early*
8 *detection of cancer' if the examination is—*
9 *"(A) a routine mammogram for the purpose of the*
10 *diagnosis of breast cancer that is performed with re-*
11 *spect to an individual who—*
12 *"(i) has attained age 55, and*
13 *"(ii) has not had a mammogram on a rou-*
14 *tine basis during the preceding 36 months; or*
15 *"(B) a routine colorectal examination for the pur-*
16 *pose of the diagnosis of colorectal cancer that is per-*
17 *formed with respect to an individual who—*
18 *"(i) has attained age 65, and*
19 *"(ii) has not had a colorectal examination on*
20 *a routine basis during the preceding 12 months.".*
21 *(3) Subsections (c) and (g) of section 1833*
22 *(42 U.S.C. 1395l) are each amended by striking*
23 *"(a) and (b)" and inserting in lieu thereof "(a),*
24 *(b), and (f)".*

1 *(b) LIMITATION ON CHARGES WHERE MEDICARE*
2 *CATASTROPHIC LIMIT IS REACHED.—Section*
3 *1866(a)(2)(A) (42 U.S.C. 1395cc(a)(2)(A)), as amended by*
4 *section 3(c)(4) of this Act, is further amended by adding at*
5 *the end the following new sentence: "A provider of services*
6 *may not impose a charge under the first sentence of this sub-*
7 *paragraph for services for which payment is made to the pro-*
8 *vider pursuant to section 1833(a)(5) (relating to catastrophic*
9 *medical expenses).".*

10 ***SEC. 5. INCREASE IN PART B PREMIUM.***

11 *(a) IN GENERAL.—Section 1839 (42 U.S.C. 1395r) is*
12 *amended—*

13 *(1) in paragraph (1) of subsection (a), by striking*
14 *all after "(a)(1)" and inserting in lieu thereof the fol-*
15 *lowing: "(A) The Secretary shall, during September of*
16 *1987 and of each year thereafter, determine the month-*
17 *ly actuarial basic rate for enrollees age 65 and over*
18 *which shall be applicable for the succeeding calendar*
19 *year. The monthly actuarial basic rate determined*
20 *under this paragraph for a calendar year shall be the*
21 *amount the Secretary estimates to be necessary so that*
22 *the aggregate amount for the calendar year with respect*
23 *to those enrollees age 65 and over will equal one-half of*
24 *the total of the benefits and administrative costs that*
25 *the Secretary estimates will be payable from the Feder-*

1 *al Supplementary Medical Insurance Trust Fund for*
2 *services performed and related administrative costs in-*
3 *curred in such calendar year with respect to such en-*
4 *rollees (excluding catastrophic coverage benefits and re-*
5 *lated administrative costs). In calculating the monthly*
6 *actuarial basic rate, the Secretary shall include an ap-*
7 *propriate amount for a contingency margin.*
8 *"(B) For purposes of this paragraph, the term 'cata-*
9 *strophic coverage benefits' has the meaning given to such*
10 *term in subsection (g)(2)(C)(i).";*
11 *(2) in paragraph (3) of subsection (a) by strik-*
12 *ing "subsection (e)" and inserting in lieu thereof "sub-*
13 *sections (e) and (g)";*
14 *(3) by striking paragraph (4) of subsection (a)*
15 *and inserting in lieu thereof the following:*
16 *"(4)(A) The Secretary shall also, during September of*
17 *1987 and of each year thereafter, determine the monthly ac-*
18 *tuarial basic rate for disabled enrollees under age 65 which*
19 *shall be applicable for the succeeding calendar year. The*
20 *monthly actuarial basic rate determined under this para-*
21 *graph for a calendar year shall be the amount the Secretary*
22 *estimates to be necessary so that the aggregate amount for the*
23 *calendar year with respect to disabled enrollees under age 65*
24 *will equal one-half of the total of the benefits and administra-*
25 *tive costs which he estimates will be payable from the Federal*

1 *Supplementary Medical Insurance Trust Fund for services*
2 *performed and related administrative costs incurred in such*
3 *calendar year with respect to such enrollees (excluding cata-*
4 *strophic coverage benefits and related administrative costs).*
5 *In calculating the monthly actuarial basic rate under this*
6 *paragraph, the Secretary shall include an appropriate*
7 *amount for a contingency margin.*
8 *"(B) For purposes of this paragraph, the term 'cata-*
9 *strophic coverage benefits' has the meaning given to such*
10 *term in subsection (g)(2)(C)(i).";*
11 *(4) in paragraph (1) of subsection (e) by striking*
12 *"monthly actuarial rate" and inserting in lieu thereof*
13 *"monthly actuarial basic rate"; and*
14 *(5) by adding at the end thereof the following new*
15 *subsection:*
16 *"(g)(1) Notwithstanding any other provision of this sec-*
17 *tion, except as provided in paragraph (3), the monthly premi-*
18 *um otherwise determined under this section for an individual*
19 *for each month in calendar year 1988 after March, and for*
20 *every month in any succeeding calendar year, shall be in-*
21 *creased by an amount equal to the applicable monthly cata-*
22 *strophic coverage premium amount for that year.*
23 *"(2)(A)(i) The monthly catastrophic coverage premium*
24 *amount for 1988 for individuals who are covered by the in-*
25 *surance programs under part A and this part shall be $4.*

1 *The monthly catastrophic coverage premium amount for such*
2 *individuals for any succeeding calendar year shall be the*
3 *monthly catastrophic coverage premium amount determined*
4 *under this subparagraph for the preceding calendar year, in-*
5 *creased (or decreased) by the percentage increase (or de-*
6 *crease) in the per enrollee actuarial comprehensive cata-*
7 *strophic benefit amount for the year for which the determina-*
8 *tion is made over the per enrollee actuarial comprehensive*
9 *catastrophic benefit amount for such preceding year. For pur-*
10 *poses the preceding sentence, in determining the percentage*
11 *increase (or decrease) in the per enrollee actuarial compre-*
12 *hensive catastrophic benefit amount for calendar year 1989*
13 *over the per enrollee actuarial comprehensive catastrophic*
14 *benefit amount for calendar year 1988, the total of the cata-*
15 *strophic coverage benefits (and related administrative costs)*
16 *payable with respect to enrollees under this part in calendar*
17 *year 1988 shall be computed as if the medicare catastrophic*
18 *limit under section 1833(m) applied to out-of-pocket medical*
19 *expenses incurred for the entire calendar year. For any cal-*
20 *endar year beginning after 1992, the Secretary shall adjust*
21 *the monthly catastrophic coverage premium amount by the*
22 *percentage determined under section 1839A(b)(2)(B)(ii)(IV).*
23 *"(ii) The monthly catastrophic coverage premium*
24 *amount for any calendar year for individuals who are cov-*
25 *ered by the insurance program under this part but not by the*

1 *insurance program under part A shall be an amount that*
2 *bears the same ratio to the monthly catastrophic coverage pre-*
3 *mium amount determined under clause (i) for such year as*
4 *the actuarial part B catastrophic benefit amount for such*
5 *year bears to the actuarial comprehensive catastrophic benefit*
6 *amount for such year.*
7 *"(B) If any monthly premium amount determined*
8 *under subparagraph (A) is not a multiple of 10 cents, such*
9 *premium amount shall be rounded to the nearest multiple of*
10 *10 cents.*
11 *"(C) For purposes of this paragraph—*
12 *"(i) the term 'catastrophic coverage benefits'*
13 *means benefits payable under this title by reason of the*
14 *enactment of the amendments made by sections 2(a),*
15 *3(a), 4, and 7(b) of the Medicare Catastrophic Loss*
16 *Prevention Act of 1987,*
17 *"(ii) the term 'per enrollee actuarial comprehen-*
18 *sive catastrophic benefit amount' means, with respect to*
19 *a year, an amount equal to the actuarial comprehen-*
20 *sive catastrophic benefit amount for the year divided by*
21 *the total number of individuals that the Secretary esti-*
22 *mates will be enrolled under this part for the year,*
23 *"(iii) the term 'actuarial comprehensive cata-*
24 *strophic benefit amount' means, with respect to a cal-*
25 *endar year, the amount that the Secretary estimates*

1 *will equal the total of the catastrophic coverage benefits*
2 *(and related administrative costs) that will be payable*
3 *from the Federal Supplementary Medical Insurance*
4 *Trust Fund and from the Federal Hospital Insurance*
5 *Trust Fund in such calendar year with respect to en-*
6 *rollees under this part, and*
7 *"(iv) the term 'actuarial part B catastrophic bene-*
8 *fit amount' means, with respect to a calendar year, the*
9 *amount the Secretary estimates will equal the total of*
10 *the catastrophic coverage benefits (and related adminis-*
11 *trative costs) that will be payable from the Federal*
12 *Supplementary Medical Insurance Trust Fund in*
13 *such calendar year with respect to such enrollees (ex-*
14 *cluding any amounts transferred pursuant to section*
15 *1841(j)).*
16 *"(3) For any calendar year after 1988, if an individual*
17 *is entitled to monthly benefits under section 202 or 223 for*
18 *November and December of the preceding year, and if the*
19 *monthly premium of the individual under this section for De-*
20 *cember and for January is deducted from those benefits under*
21 *section 1840(a)(1), the monthly premium otherwise deter-*
22 *mined under this section for an individual for that year shall*
23 *not be increased, pursuant to paragraph (1), to the extent that*
24 *such increase would reduce the amount of benefits payable to*
25 *that individual for that January below the amount of benefits*

1 *payable to that individual for that December (after the deduc-*
2 *tion of the premium under this section).".*
3 *(b) TRANSFERS TO HI TRUST FUND.—Section 1841*
4 *is amended by adding at the end the following:*
5 *"(j) There shall be transferred from time to time from*
6 *the Trust Fund to the Federal Hospital Insurance Trust*
7 *Fund amounts from the premiums under this part that are*
8 *attributable to the changes (under sections 2(a), 3(a), and*
9 *7(b) of the Medicare Catastrophic Loss Prevention Act of*
10 *1987) in services performed and related administrative costs*
11 *incurred in such calendar year with respect to individuals*
12 *who are covered under the insurance program established by*
13 *part A.".*
14 ***SEC. 6. SUPPLEMENTAL PREMIUM FOR CATASTROPHIC ILLNESS***
15 ***COVERAGE.***
16 *(a) IN GENERAL.—Part B of title XVIII is amended*
17 *by inserting after section 1839 the following:*
18 *"SUPPLEMENTAL PREMIUM FOR INDIVIDUALS COVERED*
19 *BY PART B*
20 *"SEC. 1839A. (a)(1) Any individual described in para-*
21 *graph (2) shall pay the applicable supplemental premium in*
22 *the manner provided in subsection (c).*
23 *"(2) An individual is described in this paragraph if*
24 *such individual—*

1 *"(A) is covered by the insurance program estab-*
2 *lished under this part for any portion of any taxable*
3 *year occurring after December 31, 1987, and*
4 *"(B) has Federal income tax liability for such*
5 *taxable year in an amount not less than $150.*
6 *"(b) For purposes of this section—*
7 *"(1) The term 'applicable supplemental premium'*
8 *means an amount equal to the product of—*
9 *"(A) the number of months in the taxable*
10 *year during which the individual was covered by*
11 *the insurance program established under this part,*
12 *multiplied by*
13 *"(B) the supplemental premium.*
14 *"(2)(A) The term 'supplemental premium' means*
15 *an amount equal to the product of—*
16 *"(i) the premium rate for the taxable year,*
17 *multiplied by*
18 *"(ii) the amount determined by dividing—*
19 *"(I) the individual's Federal income*
20 *tax liability for such taxable year, by*
21 *"(II) $150.*
22 *If any amount determined under clause (ii) is not a*
23 *whole number, such amount shall be rounded to the*
24 *next lowest whole number.*

1 *"(B)(i) The premium rate for any taxable year*
2 *beginning before 1989 is $1.02. The premium rate for*
3 *any taxable year beginning in a calendar year after*
4 *1988 is the premium rate determined under this clause*
5 *for taxable years beginning in the preceding calendar*
6 *year, increased or decreased by the premium rate ad-*
7 *justment under clause (ii) for taxable years beginning*
8 *in the calendar year for which the determination is*
9 *made.*
10 *"(ii)(I) For purposes of clause (i), the premium*
11 *rate adjustment for taxable years beginning in a calen-*
12 *dar year after 1988 is the percentage increase or de-*
13 *crease in the per enrollee actuarial comprehensive cata-*
14 *strophic benefit amount (within the meaning of section*
15 *1839(g)(2)(C)(ii)) for such calendar year over such*
16 *amount for the preceding calendar year.*
17 *"(II) The Secretary shall adjust the premium*
18 *rate for any calendar year beginning after 1992 (with-*
19 *out regard to this subclause and subclause (IV)) to ap-*
20 *propriately reflect any percentage increase or decrease*
21 *in the estimated average Federal income tax liability of*
22 *individuals described in subsection (a)(2) for such cal-*
23 *endar year over such average for the preceding calen-*
24 *dar year.*

1 *"(III) In determining the percentage increase (or*
2 *decrease) under subclause (I) for calendar year 1989,*
3 *the total of the catastrophic coverage benefits (within*
4 *the meaning of section 1839(g)(2)(C)(i)) (and related*
5 *administrative costs) payable with respect to enrollees*
6 *under this part in calendar year 1988 shall be comput-*
7 *ed as if the medicare catastrophic limit under section*
8 *1833(m) applied to out-of-pocket medical expenses in-*
9 *curred for the entire calendar year.*
10 *"(IV) If the Secretary determines for any calen-*
11 *dar year beginning after 1992 that the estimated total*
12 *catastrophic coverage benefits (within the meaning of*
13 *section 1839(g)(2)(C)(i)) and related administrative*
14 *costs for such calendar year will exceed the estimated*
15 *total revenues collectable with respect to such calendar*
16 *year from the premiums under this section and the*
17 *monthly catastrophic coverage premiums (within the*
18 *meaning of section 1839(g)(2)(A)), the Secretary shall*
19 *increase the premium rate under this section and the*
20 *monthly catastrophic coverage premium for such calen-*
21 *dar year by the percentage necessary to increase the es-*
22 *timated total revenues for such calendar year by the*
23 *amount of such excess.*
24 *"(3)(A)(i) In the case of a taxable year beginning*
25 *in a calendar year after 1987 and before 1993, the ap-*

1 *plicable supplemental premium for any individual*
2 *shall not exceed the amount which bears the same ratio*
3 *to the amount determined under the table in clause (ii)*
4 *as—*
5 *"(I) the number of months determined under*
6 *paragraph (1)(A), bears to*
7 *"(II) 12.*
8 *"(ii) For purposes of clause (i)—*

"If the taxable year begins in:	***The amount is:***
1988	*$ 800*
1989	*850*
1990	*900*
1991	*950*
1992	*1,000.*

9 *"(B) In the case of a taxable year beginning in a*
10 *calendar year after 1992, the applicable supplemental*
11 *premium for any individual shall not exceed an*
12 *amount equal to 65 percent of the product of—*
13 *"(i) the number of months determined under*
14 *paragraph (1)(A), multiplied by*
15 *"(ii) the excess of—*
16 *"(I) the sum of 200 percent of the*
17 *monthly actuarial basic rate for enrollees age*
18 *65 or over (as determined under section*
19 *1839), and the monthly per enrollee actuar-*
20 *ial comprehensive catastrophic benefit*
21 *amount for such calendar year, over*

1 *"(II) the sum of the basic and cata-*
2 *strophic monthly premiums for such year (as*
3 *determined under section 1839 without*
4 *regard to subsections (f)(2) and (g)(3) there-*
5 *of).*
6 *"(4)(A) Except as provided in this paragraph, in*
7 *the case of married individuals (within the meaning of*
8 *section 7703 of the Internal Revenue Code of 1986)—*
9 *"(i) who file a joint return under section*
10 *6013 of such Code, and*
11 *"(ii) 1 or both of whom are described in sub-*
12 *section (a)(2) with respect to such taxable year,*
13 *the applicable supplemental premiums shall be deter-*
14 *mined by treating such individuals as 1 individual.*
15 *"(B) If subparagraph (A) applies, the number of*
16 *months taken into account under paragraph (1)(A)*
17 *(other than for purposes of paragraph (3)) shall be de-*
18 *termined by reference to the spouse who was covered by*
19 *the insurance program established under this part for*
20 *the longer period during the taxable year (or if covered*
21 *for the same period, either spouse).*
22 *"(C) If subparagraph (A) applies and both*
23 *spouses are covered during the taxable year by the in-*
24 *surance program established under this part, the limi-*
25 *tation under paragraph (3) shall be equal to the sum of*

1 *the limitations computed separately under paragraph*
2 *(3) for each of the spouses.*
3 *"(c)(1) Except as provided in paragraph (2), for pur-*
4 *poses of the Internal Revenue Code of 1986 (other than sec-*
5 *tion 15 of such Code), any applicable supplemental premium*
6 *required to be paid under subsection (a)(1) shall be treated as*
7 *an addition to the tax imposed by chapter 1 of such Code for*
8 *the taxable year to which such premium relates.*
9 *"(2) Any applicable supplemental premium required to*
10 *be paid under subsection (a)(1) shall not be treated as an*
11 *addition to the tax imposed by chapter 1 of the Internal Rev-*
12 *enue Code of 1986 for purposes of determining—*
13 *"(A) the amount of any credit allowable under*
14 *such chapter, or*
15 *"(B) the amount of the minimum tax imposed by*
16 *section 55 of such Code.*
17 *"(d)(1) For purposes of this section, the term 'Federal*
18 *income tax liability' means—*
19 *"(A) the tax imposed by chapter 1 of the Internal*
20 *Revenue Code of 1986 (without regard to this section),*
21 *reduced by*
22 *"(B) the amount of the credits allowed under part*
23 *IV of subchapter A of such chapter (other than sections*
24 *31, 33, and 34).*

1 *"(2) For purposes of section 213(d)(1)(C) of the Inter-*
2 *nal Revenue Code of 1986, the applicable supplemental pre-*
3 *mium under subsection (a)(1) shall be treated as a premium*
4 *paid under this part in the taxable year following the taxable*
5 *year to which such premium relates.*
6 *"(e) The Secretary of the Treasury shall, from time to*
7 *time, transfer from the general fund of the Treasury to the*
8 *Federal Supplementary Medical Insurance Trust Fund*
9 *amounts equal to the sum of—*
10 *"(1) the aggregate monthly supplemental premi-*
11 *ums paid pursuant to this section, plus*
12 *"(2) the amount which the Secretary estimates*
13 *Federal outlays are reduced under title XIX of this*
14 *Act by reason of the amendments made by sections*
15 *2(a), 3(a), 4, and 7(b) of the Medicare Catastrophic*
16 *Loss Prevention Act of 1987 (after taking into account*
17 *the provisions of section 14 of such Act).*
18 *Such transfer shall be appropriately adjusted to the extent*
19 *that prior transfers were in excess of or less than the amounts*
20 *required to be transferred.".*
21 *(c) INFORMATION REPORTING.—*
22 *(1) Section 6050F(a)(1) of the Internal Revenue*
23 *Code of 1986 (relating to returns relating to Social*
24 *Security benefits) is amended—*

(A) by striking out "and" at the end of subparagraph (B), and

(B) by inserting after subparagraph (C) the following:

"(D) the number of months any individual is covered by the insurance program established under part B of title XVIII of the Social Security Act for such calendar year, and".

(2) Section 6050F(b) of such Code is amended—

(A) by inserting "or determining the months of coverage" after "payments" in paragraph (1), and

(B) by inserting "and the number of months of coverage," after "reductions," in paragraph (2).

(3) Section 6050F(c)(1)(A) of such Code is amended by inserting "and months of coverage described in subsection (a)(1)(D)" after "section 86(d)(1)(A)".

(d) CONFORMING AMENDMENT.—Subsection (a)(1) of section 1840 (42 U.S.C. 1395s) is amended by striking out "(except as provided in subsections (b)(1) and (c))" and inserting in lieu thereof "(except as provided in section 1839A(a)(2) and subsections (b)(1) and (c) of this section)".

1 ***SEC. 7. MEDICARE COVERAGE OF HOME HEALTH SERVICES ON***
2 ***A DAILY BASIS.***

3 *(a) IN GENERAL.—Section 1861(m) (42 U.S.C.*
4 *1395x(m)) is amended by adding at the end the following:*
5 *"For purposes of paragraphs (1) and (4), nursing care and*
6 *home health aide services may be provided under such para-*
7 *graphs seven days a week (with one or more visits per day)*
8 *for a period of up to 21 days with a physician's certification*
9 *of the need for such care and services on such a basis.".*

10 *(b) ADDITIONAL DAYS FOR CERTAIN INDIVID-*
11 *UALS.—Section 1861(m) (42 U.S.C. 1395x(m)), as amend-*
12 *ed by subsection (a), is further amended by adding at the end*
13 *the following: "In the case of an individual who is covered*
14 *under the insurance program established under part B, and*
15 *who is furnished nursing care and home health aide services*
16 *within 30 days after being discharged from a hospital or a*
17 *skilled nursing facility, the preceding sentence shall be ap-*
18 *plied by substituting '45 days' for '21 days'.".*

19 ***SEC. 8. CLARIFICATION OF REQUIREMENT THAT INDIVIDUAL***
20 ***BE CONFINED TO HOME TO BE ELIGIBLE FOR***
21 ***HOME HEALTH SERVICES.***

22 *(a) PART A.—Section 1814(a) (42 U.S.C. 1395f(a)) is*
23 *amended by adding at the end thereof the following: "For*
24 *purposes of paragraph (2)(C), an individual shall be consid-*
25 *ered to be 'confined to his home' if the individual has a condi-*
26 *tion, due to an illness or injury, that restricts the ability of*

1 *the individual to leave his or her home except with the aid of*
2 *a supportive device (such as crutches, a cane, a wheelchair,*
3 *or a walker) or if the individual has a condition such that*
4 *leaving his or her home is medically contraindicated. While*
5 *an individual does not have to be bedridden to be considered*
6 *'confined to his home', the condition of the individual should*
7 *be such that there exists a normal inability to leave home,*
8 *that leaving home requires a considerable and taxing effort*
9 *by the individual, and that absences of the individual from*
10 *home are infrequent or of relatively short duration.".*
11 *(b) PART B.—Section 1835(a) (42 U.S.C. 1395n(a))*
12 *is amended by adding at the end thereof the following: "For*
13 *purposes of paragraph (2)(C), an individual shall be consid-*
14 *ered to be 'confined to his home' if the individual has a condi-*
15 *tion, due to an illness or injury, that restricts the ability of*
16 *the individual to leave his or her home except with the aid of*
17 *a supportive device (such as crutches, a cane, a wheelchair,*
18 *or a walker) or if the individual has a condition such that*
19 *leaving his or her home is medically contraindicated. While*
20 *an individual does not have to be bedridden to be considered*
21 *'confined to his home', the condition of the individual should*
22 *be such that there exists a normal inability to leave home,*
23 *that leaving home requires a considerable and taxing effort*
24 *by the individual, and that absences of the individual from*
25 *home are infrequent or of relatively short duration.".*

1 *(c) EFFECTIVE DATE.—The amendments made by this*
2 *section shall become effective on the date of enactment of this*
3 *Act.*

4 ***SEC. 9. ANNUAL NOTICE TO MEDICARE BENEFICIARIES.***

5 *(a) NOTICE REQUIRED.—The Secretary of Health and*
6 *Human Services (in this section referred to as the Secretary)*
7 *shall notify each individual who is entitled to benefits under*
8 *title XVIII of the Social Security Act of—*

9 *(1) the benefits that are available under the insur-*
10 *ance programs established under such title (and the*
11 *major categories of health care that are not covered*
12 *under those programs),*

13 *(2) the limitations on payment (including deducti-*
14 *bles and coinsurance amounts) that are imposed under*
15 *such programs, and*

16 *(3) the ways in which such limitations differ for*
17 *individuals who are covered under the program estab-*
18 *lished under part B and individuals who are not cov-*
19 *ered under such program.*

20 *(b) TIMING.—The Secretary shall provide the notice de-*
21 *scribed in subsection (a)—*

22 *(1) when an individual applies for benefits under*
23 *part A or enrolls under part B on or after January 1,*
24 *1988, and*

25 *(2) in November of 1987 and annually thereafter.*

1 *(c) CONSULTATION REQUIRED.—The notice required*
2 *by subsection (a) shall be prepared in consultation with*
3 *groups representing the elderly and with health insurers.*

4 ***SEC. 10. ADJUSTMENT OF AAPCC'S AND CONTRACTS FOR RISK-***
5 ***BASED ELIGIBLE ORGANIZATIONS.***

6 *(a) IN GENERAL.—The Secretary of Health and*
7 *Human Services (in this section referred to as the "Secre-*
8 *tary") shall—*
9 *(1) modify any adjusted average per capita cost*
10 *determined under section 1876(a) of the Social Securi-*
11 *ty Act for an eligible organization with a risk-sharing*
12 *contract to take into account the amendments made by*
13 *sections 2(a), 3(a), 4, and 7(b) of this Act,*
14 *(2) modify each such contract, for portions of con-*
15 *tract years occurring after December 31, 1987, to re-*
16 *flect the modifications made pursuant to paragraph (1),*
17 *and*
18 *(3) require each such organization to make appro-*
19 *priate adjustments in the terms of its agreements with*
20 *medicare beneficiaries to take into account such*
21 *amendments.*
22 *(b) EFFECTIVE DATE.—Subsection (a) shall become*
23 *effective on the date of enactment of this Act.*

1 ***SEC. 11. STUDY OF TREATMENT OF PRESCRIPTION DRUGS.***

2 *(a) STUDY REQUIRED.—The Secretary of Health and*
3 *Human Services (in this section referred to as the "Secre-*
4 *tary") shall request the National Academy of Sciences,*
5 *acting through the Institute of Medicine (in this section re-*
6 *ferred to as the "Academy" and the "Institute", respective-*
7 *ly), to enter into a contract under which the Institute, in*
8 *consultation with representatives of appropriate research and*
9 *health-care organizations, will conduct a study to identify ad-*
10 *ditional drugs, available by prescription only, the expendi-*
11 *tures for which might appropriately be covered under title*
12 *XVIII of the Social Security Act or be treated as out-of-*
13 *pocket medical expenses (as defined in section 1861(ff)(3) of*
14 *the Social Security Act) for purposes of making the determi-*
15 *nation described in section 1861(ff)(1) of such Act. The*
16 *study shall include analyses and recommendations with re-*
17 *spect to appropriate limitations on the amounts to be recog-*
18 *nized as reasonable for such purposes.*

19 *(b) STUDY EXPENSES.—The Secretary shall enter into*
20 *appropriate arrangements with the Academy under which the*
21 *Secretary shall be responsible for expenses incurred by the*
22 *Academy in connection with the study required by subsection*
23 *(a).*

24 *(c) REPORTS.—*

25 *(1) Not later than six months after the date of the*
26 *enactment of this Act, the Institute shall submit to the*

1 *Secretary, to the Committee on Finance of the Senate,*
2 *and to the Committee on Energy and Commerce and*
3 *the Committee on Ways and Means of the House of*
4 *Representatives, an interim report with respect to the*
5 *study required by subsection (a). The report shall de-*
6 *scribe the manner in which the study is being conduct-*
7 *ed and may include tentative findings and recommen-*
8 *dations based upon the study.*
9 *(2) Not later than twelve months after the date of*
10 *the enactment of this Act, the Institute shall submit to*
11 *the Secretary, to the Committee on Finance of the*
12 *Senate, and to the Committee on Energy and Com-*
13 *merce and the Committee on Ways and Means of the*
14 *House of Representatives, a final report with respect to*
15 *the study required by subsection (a). The report shall*
16 *include specific findings and recommendations based*
17 *upon the study.*
18 ***SEC. 12. HOSPICE CARE.***
19 *(a) EXTENSION OF COVERAGE PERIOD.—*
20 *(1) Section 1812 (42 U.S.C. 1395d) is*
21 *amended—*
22 *(A) in subsection (a)(4), by striking "and*
23 *one subsequent period of 30 days" and inserting*
24 *in lieu thereof ", a subsequent period of 30 days,*
25 *and a subsequent extension period";*

1 *(B) in subsection (d)(1), by striking "and*
2 *one subsequent period of 30 days" and inserting*
3 *in lieu thereof ", a subsequent period of 30 days,*
4 *and a subsequent extension period"; and*
5 *(C) in subsection (d)(2)(B), by inserting "or*
6 *a subsequent extension period" after "30-day*
7 *period".*
8 *(2) Section 1812A(a)(4), as added by section 2(b)*
9 *of this Act, is amended by striking "and one subse-*
10 *quent period of 30 days" and inserting in lieu thereof*
11 *", a subsequent period of 30 days, and a subsequent*
12 *extension period".*
13 *(b) CONTINUED CERTIFICATION OF TERMINAL ILL-*
14 *NESS FOR EXTENDED BENEFITS.—Section 1814(a)(7)(A)*
15 *(42 U.S.C. 1395f(a)(7)(A)) is amended—*
16 *(1) by striking "and" at the end of clause (i),*
17 *(2) by striking the semicolon at the end of clause*
18 *(ii) and inserting in lieu thereof ", and", and*
19 *(3) by adding at the end the following new clause:*
20 *"(iii) in a subsequent extension period, the*
21 *medical director or physician described in clause*
22 *(i)(II) recertifies at the beginning of the period*
23 *that the individual is terminally ill;".*

1 *(c) EFFECTIVE DATE.—The amendments made by this*
2 *section shall apply with respect to services provided on or*
3 *after the date of enactment of this Act.*

4 ***SEC. 13. VOLUNTARY CERTIFICATION OF MEDICARE SUPPLE-***
5 ***MENTAL HEALTH INSURANCE POLICIES.***

6 *(a) FREE-LOOK PERIOD.—Section 1882 (42 U.S.C.*
7 *1395ss) is amended—*
8 *(1) in subsection (b)(1), by striking subparagraph*
9 *(B) and inserting in lieu thereof the following:*
10 *"(B) includes requirements equal to or more*
11 *stringent than the requirements described in para-*
12 *graphs (2) and (3) of subsection (c); and", and*
13 *(2) in subsection (c)—*
14 *(A) by striking "and" at the end of para-*
15 *graph (1),*
16 *(B) by striking the period at the end of para-*
17 *graph (2) and inserting in lieu thereof "; and",*
18 *and*
19 *(C) by adding at the end thereof the follow-*
20 *ing:*
21 *"(3) may, during a period of not less than 30*
22 *days after the policy is issued, be returned for a full*
23 *refund of any premiums paid (without regard to the*
24 *manner in which the purchase of the policy was*
25 *solicited).".*

1 *(b) Reporting of Information Relating to Loss*
2 *Ratios.—Section 1882(b)(1), as amended by subsection*
3 *(a), is further amended—*
4 *(1) by striking "and" at the end of subparagraph*
5 *(B),*
6 *(2) by redesignating subparagraph (C) as sub-*
7 *paragraph (D),*
8 *(3) by inserting after subparagraph (B) the fol-*
9 *lowing:*
10 *"(C) provides that—*
11 *"(i) information with respect to the actual*
12 *ratio of benefits provided to premiums collected*
13 *under such policies will be reported to the State*
14 *on forms conforming to those developed by the Na-*
15 *tional Association of Insurance Commissioners*
16 *for such purpose, or*
17 *"(ii) such ratios will be monitored under the*
18 *program in an alternative manner approved by*
19 *the Secretary; and", and*
20 *(4) in subparagraph (D), as redesignated by para-*
21 *graph (2), by striking "(A) and (B)" and inserting in*
22 *lieu thereof "(A), (B), and (C)".*
23 *(c) Consumer Information.—Section 1882(e) is*
24 *amended—*
25 *(1) by inserting "(1)" after "(e)", and*

1 *(2) by adding at the end thereof the following:*
2 *"(2) The Secretary shall—*
3 *"(A) inform all individuals entitled to benefits*
4 *under this title (and, to the extent feasible, individuals*
5 *about to become so entitled) of—*
6 *"(i) the actions and practices that are subject*
7 *to sanctions under subsection (d), and*
8 *"(ii) the manner in which they may report*
9 *any such action or practice to an appropriate offi-*
10 *cial of the Department of Health and Human*
11 *Services, and*
12 *"(B) establish a toll-free telephone number for in-*
13 *dividuals to report suspected violations of the provi-*
14 *sions of such subsection.*
15 *"(3) The Secretary shall provide individuals entitled to*
16 *benefits under this title (and, to the extent feasible, individ-*
17 *uals about to become so entitled) with a listing of the address-*
18 *es and telephone numbers of State and Federal agencies and*
19 *offices that provide information and assistance to individuals*
20 *with respect to the selection of medicare supplemental*
21 *policies.".*
22 *(d) REVISION OF MODEL STANDARDS.—Section*
23 *1882 (42 U.S.C. 1395ss) is amended—*

1 *(1) in subsection (a) by striking "Such certifica-*
2 *tion" and inserting in lieu thereof "Subject to subsec-*
3 *tion (k)(3), such certification",*
4 *(2) in subsection (b) by striking "(for so long as"*
5 *and inserting in lieu thereof "(subject to subsection*
6 *(k)(3), for so long as", and*
7 *(3) by adding at the end thereof the following new*
8 *subsection:*
9 *"(k)(1)(A) If, within the period specified in subpara-*
10 *graph (B), the National Association of Insurance Commis-*
11 *sioners (in this subsection referred to as the 'Association')*
12 *amends the NAIC Model Regulation adopted on June 6,*
13 *1979 (as it relates to medicare supplemental policies) to re-*
14 *flect the changes in law made by the Medicare Catastrophic*
15 *Loss Prevention Act of 1987, subsection (g)(2)(A) shall be*
16 *applied, effective on and after the date specified in subpara-*
17 *graph (C), as if the reference to the Model Regulation adopt-*
18 *ed on June 6, 1979, were a reference to the Model Regulation*
19 *as amended by the Association in accordance with this para-*
20 *graph (in this subsection referred to as the 'amended NAIC*
21 *Model Regulation').*
22 *"(B) The period specified in this subparagraph is the*
23 *period beginning on the date of the enactment of the Medicare*
24 *Catastrophic Loss Prevention Act of 1987 and ending on the*
25 *ninetieth day after such date.*

1 *"(C) The date specified in this subparagraph is the date*
2 *that is 365 days after the date (within the period specified in*
3 *subparagraph (B)) on which the National Association of In-*
4 *surance Commissioners announces the adoption of the*
5 *amendments referred to in subparagraph (A).*
6 *"(2)(A) If the Association does not amend the NAIC*
7 *Model Regulation referred to in subsection (g)(2)(A) during*
8 *the period specified in paragraph (1)(B), the Secretary shall*
9 *issue Federal model standards (in this subsection referred to*
10 *as 'Federal model standards') for medicare supplemental*
11 *policies not later than 90 days after the last day of such*
12 *period. Federal model standards issued by the Secretary pur-*
13 *suant to this subparagraph shall reflect the changes in law*
14 *made by the Medicare Catastrophic Loss Prevention Act of*
15 *1987.*
16 *"(B) Effective on and after the date that is 365 days*
17 *after the date on which the Secretary issues Federal model*
18 *standards pursuant to subparagraph (A), this section shall be*
19 *applied as if any reference to NAIC Model Standards were a*
20 *reference to the Federal model standards .*
21 *"(3) Notwithstanding any other provision of this sec-*
22 *tion, on and after the date specified in paragraph (1)(C) or*
23 *the date specified in paragraph (2)(B) (as the case may be)—*
24 *"(A) no medicare supplemental policy may be cer-*
25 *tified by the Secretary pursuant to subsection (a),*

1 *"(B) no certification made pursuant to subsection*
2 *(a) shall remain in effect, and*
3 *"(B) no State regulatory program shall be found*
4 *to meet (or to continue to meet) the requirements of*
5 *subsection (b)(1),*
6 *unless such policy meets (or such program provides for the*
7 *application of standards equal to or more stringent than) the*
8 *standards set forth in the amended NAIC Model Regulation*
9 *or the Federal model standards (as the case may be).".*
10 *(e) EFFECTIVE DATES.—*
11 *(1) The amendments made by subsections (a) and*
12 *(b) shall become effective on the date on which the*
13 *amended NAIC Model Standards (or Federal model*
14 *standards) become effective under section 1882 of the*
15 *Social Security Act (in accordance with subsection (k)*
16 *of such section).*
17 *(2) The amendments made by subsection (c) shall*
18 *become effective on the date of the enactment of this*
19 *Act.*
20 *(3) The amendment made by subsection (d) shall*
21 *be effective as provided in such amendment.*
22 ***SEC. 14. DETERMINATION OF MEDICAID SAVINGS; STATE PLAN***
23 ***REQUIREMENT.***
24 *(a) DETERMINATION OF SAVINGS; NOTICE TO*
25 *STATES.—Before the beginning of each fiscal year (or por-*

1 *tion thereof) for which this section applies to a State, the*
2 *Secretary of Health and Human Services (in this section*
3 *referred to as the "Secretary") shall—*
4 *(1) estimate and determine, with respect to each*
5 *State with a State plan approved under title XIX of*
6 *the Social Security Act, the total amount that would*
7 *have been expended from State funds under such plan*
8 *for such fiscal year (or portion thereof) but for the*
9 *amendments made by sections 2(a), 3(a), 4, and 7(b)*
10 *of this Act, and*
11 *(2) notify each such State of such amount.*
12 *(b) STATE PLAN REQUIREMENT.—*
13 *(1) Each State plan shall provide, as a condition*
14 *of approval under section 1902(a) of the Social Secu-*
15 *rity Act, that—*
16 *(A) an amount equal to the amount of sav-*
17 *ings that are estimated by the Secretary pursuant*
18 *to subsection (a) to accrue to the State for such*
19 *fiscal year (or portion thereof) by reason of the*
20 *amendments made sections 2(a), 3(a), 4, and 7(b)*
21 *of this Act, will be expended from State funds for*
22 *such fiscal year for one or more of the purposes*
23 *specified in paragraph (2), and*
24 *(B) the amounts expended pursuant to sub-*
25 *paragraph (A) will be in addition to any amounts*

1 *that would have been expended from State funds*
2 *for such purposes for such fiscal year (or portion*
3 *thereof) under the State plan (as in effect on the*
4 *day before the date of the enactment of this Act).*
5 *(2) The purposes specified in this paragraph*
6 *are—*
7 *(A) to provide coverage under the State plan,*
8 *pursuant to section 1902(a)(10)(E) of the Social*
9 *Security Act, for individuals described in section*
10 *1905(p)(1) of such Act, and*
11 *(B) to increase the maintenance needs*
12 *monthly income levels applicable under the plan*
13 *for the community spouses of institutionalized in-*
14 *dividuals.*
15 *(3) A State may provide coverage pursuant to*
16 *paragraph (2)(A) without regard to section 1902(m)(3)*
17 *of the Social Security Act.*
18 *(c) EFFECTIVE DATE.—*
19 *(1) Except as provided in paragraph (2), this sec-*
20 *tion shall apply to the calendar quarter beginning on*
21 *January 1, 1988, and 11 consecutive calendar quar-*
22 *ters thereafter.*
23 *(2)(A) In the case of a State plan for medical as-*
24 *sistance under title XIX of the Social Security Act*
25 *which the Secretary of Health and Human Services*

1 *determines requires State legislation (other than legis-*
2 *lation appropriating funds) in order for the plan to*
3 *meet the additional requirement imposed by subsection*
4 *(b), the State plan shall not be regarded as failing to*
5 *comply with the requirements of such title solely on the*
6 *basis of its failure to meet this additional requirement*
7 *before the first day of the first calendar quarter begin-*
8 *ning after the close of the first regular session of the*
9 *State legislature that begins after the date of the enact-*
10 *ment of this Act.*

11 *(B) In the case of a State plan with respect to*
12 *which the requirement imposed by subsection (b) first*
13 *becomes effective, pursuant to subparagraph (A), for a*
14 *calendar quarter beginning after January 1, 1988, this*
15 *section shall apply to such calendar quarter and 11*
16 *consecutive calendar quarters thereafter.*

17 ***SEC. 15. STUDIES OF LONG-TERM CARE.***

18 *(a) INSTITUTE OF MEDICINE STUDY.—*

19 *(1) The Secretary of Health and Human Services*
20 *(in this subsection referred to as the "Secretary") shall*
21 *request the National Academy of Sciences, acting*
22 *through the Institute of Medicine (in this subsection re-*
23 *ferred to as the "Academy" and the "Institute", re-*
24 *spectively), to enter into a contract under which the In-*
25 *stitute will conduct a study to—*

1 *(A) explore the options for the private fund-*
2 *ing of a portion of long-term care (including*
3 *methods by which changes in Federal laws, in-*
4 *cluding tax laws, could facilitate the development*
5 *of such funding),*
6 *(B) analyze the effect that the provision of*
7 *various types of private funding of long-term care*
8 *would have on public funding of such care,*
9 *(C) review various options for public sector*
10 *long-term care coverage, both means-tested and*
11 *universal, with respect to their effects on both cur-*
12 *rent and future State and Federal spending for*
13 *health care,*
14 *(D) review the effectiveness and the cost im-*
15 *plications of community-based long-term care*
16 *services, including the types of limits necessary to*
17 *prevent the overutilization of such services, and*
18 *(E) analyze, for each approach to the provi-*
19 *sion of long-term care, the relative payments de-*
20 *rived from users of long-term care, non-utilizing*
21 *elderly, and employed persons (including both pre-*
22 *funding and pay-as-you-go payments).*
23 *(2) In conducting the study under paragraph (1),*
24 *the Institute shall take into account—*

1 *(A) the effect that impending demographic*
2 *changes (both near-term and long-term) will have*
3 *on the various approaches to service utilization*
4 *and funding, and*
5 *(B) the effect that membership in different*
6 *socioeconomic groups has on the need, and ability*
7 *to pay, for long-term care.*
8 *(3) The Secretary shall enter into appropriate ar-*
9 *rangements with the Academy under which the Secre-*
10 *tary shall be responsible for expenses incurred by the*
11 *Academy in connection with the study required by*
12 *paragraph (1).*
13 *(4) Not later than October 1, 1989, the Institute*
14 *shall submit to the Secretary, to the Committee on Fi-*
15 *nance of the Senate, and to the Committee on Energy*
16 *and Commerce and the Committee on Ways and*
17 *Means of the House of Representatives, a report that—*
18 *(A) describes the study conducted under this*
19 *subsection,*
20 *(B) includes a statement of the data obtained*
21 *under the study, and*
22 *(C) specifies administrative actions and*
23 *changes in law that the Institute considers to be*
24 *appropriate to implement the findings of the*
25 *study.*

1 *(b) STUDY OF TAX INCENTIVES FOR PURCHASE OF*
2 *COVERAGE FOR LONG-TERM CARE.—*
3 *(1) The Secretary of the Treasury (in this subsec-*
4 *tion referred to as the "Secretary") shall conduct a*
5 *study of Federal tax policies to promote the private fi-*
6 *nancing of long-term care. The study shall identify al-*
7 *ternative methods of creating incentives, through the*
8 *tax system, to encourage individuals to purchase insur-*
9 *ance coverage for long-term care.*
10 *(2) The Secretary shall conduct the study re-*
11 *quired by paragraph (1) in consultation with represent-*
12 *atives of the insurance industry and providers of long-*
13 *term care.*
14 *(3) The Secretary shall report the results of the*
15 *study required by paragraph (1) to the Congress not*
16 *later than April 1, 1988, together with the Secretary's*
17 *recommendations for any changes in Federal law that*
18 *the Secretary determines to be appropriate to promote*
19 *the private financing of long-term care.*
20 *(4) For purposes of this subsection, the term*
21 *"long-term care" includes care and services provided*
22 *by nursing homes, home health agencies, and other*
23 *mechanisms for the delivery of long-term care services.*

1 *SEC. 16. CASE MANAGEMENT DEMONSTRATION PROJECTS.*

2 *(a) IN GENERAL.—Within 12 months after the date of*
3 *the enactment of this Act, the Secretary of Health and*
4 *Human Services (in this section referred to as the "Secre-*
5 *tary") shall establish not less than six demonstration projects*
6 *under which a utilization and quality control peer review or-*
7 *ganization with a contract with the Secretary under part B*
8 *of title XI of the Social Security Act (in this section referred*
9 *to as a "PRO") agrees to provide case management services*
10 *to medicare beneficiaries with selected catastrophic illnesses.*

11 *(b) PURPOSE OF PROJECTS.—It is the purpose of the*
12 *demonstration projects established under this section to pro-*
13 *vide the Secretary and the Congress with the information*
14 *necessary—*

15 *(1) to evaluate the appropriateness of providing*
16 *case management services under the medicare program*
17 *for individuals with catastrophic illnesses, and*

18 *(2) to determine the most effective approach to im-*
19 *plementing a case management system under the pro-*
20 *gram for such individuals.*

21 *(c) AGREEMENT.—The agreement entered into under*
22 *subsection (a) shall specify—*

23 *(1) the catastrophic illnesses with respect to which*
24 *case management services will be provided under the*
25 *project,*

1 *(2) the payments to be made to the PRO for car-*
2 *rying out the project, and*
3 *(3) such other terms and conditions as the Secre-*
4 *tary and the PRO may agree to.*
5 *(d) WAIVERS.—The Secretary shall waive any provi-*
6 *sions of part B of title XI of the Social Security Act and title*
7 *XVIII of such Act that the Secretary determines would pre-*
8 *vent the establishment of a demonstration project under this*
9 *section.*
10 *(e) DURATION.—*
11 *(1) Except as provided in paragraph (2), a dem-*
12 *onstration project under this section shall be conducted*
13 *for a one-year period.*
14 *(2) The Secretary may terminate a demonstration*
15 *project before the end of the one-year period specified*
16 *in paragraph (1) if the Secretary determines that the*
17 *State conducting the project is not in substantial com-*
18 *pliance with the terms of the agreement entered into*
19 *under subsection (a).*
20 *(f) INFORMATION AND REPORTS.—*
21 *(1) A PRO with an agreement under subsection*
22 *(a) shall furnish the Secretary with such information*
23 *as the Secretary determines to be necessary to evaluate*
24 *the results of the project conducted by the PRO.*

1 *(2)(A) The Secretary shall submit to the Congress*
2 *an interim report on the projects conducted under this*
3 *section based upon information that is derived from the*
4 *first six months of project operations and shall set forth*
5 *any interim findings, recommendations, and conclu-*
6 *sions that the Secretary determines to be appropriate.*
7 *(B) The Secretary shall submit to the Congress a*
8 *final report on the demonstration projects conducted*
9 *under this section based upon data derived from the 12*
10 *months in which the projects were in operation and*
11 *shall update the findings, recommendations, and con-*
12 *clusions set forth in the interim report submitted under*
13 *paragraph (1).*
14 *(g) AUTHORIZATION TO USE CERTAIN FUNDS.—*
15 *(1) The Secretary shall transfer from the Federal*
16 *Hospital Insurance Trust Fund and the Federal Sup-*
17 *plementary Insurance Trust Fund amounts not to*
18 *exceed a total of $2,000,000 for the purpose of carry-*
19 *ing out the demonstration projects under this section.*
20 *Amounts shall be transferred under this paragraph*
21 *without regard to amounts appropriated in advance in*
22 *Appropriation Acts.*
23 *(2) Subject to paragraph (1), payments shall be*
24 *made from each of the trust funds specified in para-*

1 *graph (1) in such amounts as the Secretary determines*
2 *to be fair and equitable.*

3 ***SEC. 17. REPEAL OF AUTHORITY TO ADMINISTER PROFICIENCY***
4 ***EXAMINATIONS.***

5 *(a) REPEAL.—Effective October 1, 1987, section 1123*
6 *(42 U.S.C. 1320a–2) is repealed.*

7 *(b) EFFECT OF REPEAL.—Nothing in the amendment*
8 *made by subsection (a) shall be construed as affecting—*

9 *(1) the authority of the Secretary of Health and*
10 *Human Services to conduct the program established*
11 *under section 1123 of the Social Security Act prior to*
12 *October 1, 1987, or*

13 *(2) the qualification of any individual, who has*
14 *been determined under such program to be qualified to*
15 *perform the duties and functions of a health care spe-*
16 *cialty, to perform such duties and functions.*

17 ***SEC. 18. TRUSTEE COMMENTS ON ACTUARIAL SOUNDNESS OF***
18 ***BASIC AND SUPPLEMENTAL CATASTROPHIC***
19 ***BENEFIT PREMIUMS.***

20 *(a) HI TRUST FUND.—Section 1817(b) (42 U.S.C.*
21 *1395i(b)) is amended by inserting "an evaluation of the*
22 *extent to which the premiums collected under sections*
23 *1839(g) and section 1839A are sufficient to pay for cata-*
24 *strophic coverage benefits (as defined in section*

1 *1839(g)(2)(C)(i)) and related administrative expenses pay-*
2 *able from the Trust Fund and" after "also include".*
3 *(b) SMI TRUST FUND.—Section 1841(b) (42 U.S.C.*
4 *1395t(b)) is amended by inserting "an evaluation of the*
5 *extent to which the premiums collected under sections*
6 *1839(g) and section 1839A are sufficient to pay for cata-*
7 *strophic coverage benefits (as defined in section*
8 *1839(g)(2)(C)(i)) and related administrative expenses pay-*
9 *able from the Trust Fund and" after "also include".*
10 *(c) EFFECTIVE DATE.—The amendments made by this*
11 *section shall apply with respect to reports submitted for fiscal*
12 *year 1988 and each fiscal year thereafter.*
13 ***SEC. 19. TECHNICAL AMENDMENT RELATING TO WAIVERS FOR***
14 ***HOME AND COMMUNITY-BASED SERVICES.***
15 *(a) WAIVERS FOR HOME AND COMMUNITY-BASED*
16 *SERVICES.—Section 1915(c)(3) (42 U.S.C. 42 U.S.C.*
17 *1396n(c)(3)) is amended by striking "and section*
18 *1902(a)(10)(B) (relating to comparability)" and inserting in*
19 *lieu thereof ", section 1902(a)(10)(B) (relating to compara-*
20 *bility), and section 1902(a)(10)(C)(i)(III) (relating to single*
21 *standard for income and resource eligibility)".*
22 *(b) EFFECTIVE DATE.—The amendment made by sub-*
23 *section (a) shall be effective as if included in the enactment of*
24 *the Omnibus Budget Reconciliation Act of 1986.*

1 ***SEC. 20. TECHNICAL AMENDMENTS RELATING TO NEW JERSEY***
2 ***RESPITE CARE PILOT PROJECT.***

3 *(a) CONDITIONS OF AGREEMENT.—Section 9414(b) of*
4 *the Omnibus Budget Reconciliation Act of 1986 is*
5 *amended—*

6 *(1) by redesignating paragraphs (2), (3), and (4),*
7 *as paragraphs (3), (4), and (5), respectively,*

8 *(2) by inserting after paragraph (1) the following*
9 *new paragraph:*

10 *"(2) provide that the State may submit a detailed*
11 *proposal describing the project (in lieu of a formal re-*
12 *quest for the waiver of applicable provisions of title*
13 *XIX of the Social Security Act) and that submission*
14 *of such a description by the State will be treated as*
15 *such a request for purposes of subsection (g),", and*

16 *(3) in paragraph (3), as redesignated by para-*
17 *graph (1) of this subsection, by striking "if the project"*
18 *and all that follows through "Act" the second place it*
19 *appears and inserting in lieu thereof "the State shall*
20 *utilize a post-eligibility cost-sharing formula based on*
21 *the available income of participants with income in*
22 *excess of the nonfarm income official poverty line (as*
23 *defined by the Office of Management and Budget, and*
24 *revised annually in accordance with section 673(2) of*
25 *the Omnibus Budget Reconciliation Act of 1981)".*

26 *(b) DEFINITIONS.—*

1 *(1) Section 9414(a) of the Omnibus Budget Reconcilia-*
2 *tion Act of 1986 is amended by striking "elderly and dis-*
3 *abled individuals" and inserting in lieu thereof "eligible in-*
4 *dividuals".*
5 *(2) Section 9414(c) of the Omnibus Budget Reconcilia-*
6 *tion Act of 1986 is amended to read as follows:*
7 *"(c) Definitions.—For purposes of this section—*
8 *"(1) the term 'eligible individual' means an indi-*
9 *vidual—*
10 *"(A) who is elderly or disabled,*
11 *"(B)(i) whose income (not including the*
12 *income of the spouse or family of the individual)*
13 *does not exceed 300 percent of the amount in*
14 *effect under section 1611(a)(1)(A) of the Social*
15 *Security Act (as increased pursuant to section*
16 *1617 of such Act), or*
17 *"(ii) in the case of an individual and spouse*
18 *who are both dependent on a caregiver, whose*
19 *combined incomes do not exceed such amount,*
20 *"(C) at the option of the State, who meets a*
21 *resource standard established by the State,*
22 *"(D) who is at risk of institutionalization*
23 *unless the individual's caregiver is provided with*
24 *respite care, and*

1 *"(E) who has been determined to meet the*
2 *requirements of subparagraphs (A) through (D) in*
3 *accordance with an application process designed*
4 *by the State; and*
5 *"(2) the term 'respite care services' shall in-*
6 *clude—*
7 *"(A) short-term and intermittent—*
8 *"(i) companion or sitter services (paid*
9 *as well as volunteer),*
10 *"(ii) homemaker and personal care-serv-*
11 *ices,*
12 *"(iii) adult day care, and*
13 *"(iv) inpatient care in a hospital, a*
14 *skilled nursing facility, or an intermediate*
15 *care facility (not to exceed a total of 14 days*
16 *for any individual), and*
17 *"(B) peer support and training for family*
18 *caregivers (using informal support groups and or-*
19 *ganized counseling).".*
20 *(c) PROVISIONS SUBJECT TO WAIVER.—Section*
21 *9414(g) of the Omnibus Budget Reconciliation Act of 1986*
22 *is amended by inserting "section 1902(a)(10)(C)(i)(III),"*
23 *after "section 1902(a)(10)(B),".*
24 *(d) EFFECTIVE DATE.—The amendments made by*
25 *subsections (a), (b), and (c) shall be effective as if included in*

1 *the enactment of the Omnibus Budget Reconciliation Act of*
2 *1986.*

3 ***SEC. 21. EFFECTIVE DATES.***

4 *(a) IN GENERAL.—Except as provided in subsection*
5 *(b), this Act and the amendments made by this Act shall*
6 *apply to items and services furnished after, and premiums for*
7 *months beginning after, December 31, 1987.*

8 *(b) EXCEPTIONS.—*

9 *(1) Notwithstanding section 1813(a)(1) of the*
10 *Social Security Act, as amended by section 3(a)(2) of*
11 *this Act, in the case of an individual with respect to*
12 *whom—*

13 *(A) a spell of illness (as defined in section*
14 *1861(a) of the Social Security Act) begins before*
15 *January 1, 1988, and*

16 *(B) a period of hospitalization (as defined in*
17 *section 1813(a)(1) of the Social Security Act),*
18 *which is included within that spell of illness,*
19 *begins on or after January 1, 1988, and before*
20 *February 1, 1988,*

21 *no inpatient hospital deductible shall be imposed with*
22 *respect to such period of hospitalization (and such*
23 *period of hospitalization shall not be taken into account*
24 *in determining the application of such deductible to*

1 *any subsequent period of hospitalization beginning for*
2 *such individual on or before December 31, 1988).*
3 *(2) Notwithstanding sections 1812(a)(2)(A),*
4 *1812(b)(2), and 1813(a)(3) of the Social Security Act,*
5 *as amended by sections 2(a)(2)(C), 2(a)(3)(B), and*
6 *3(a)(4) of this Act, respectively, in the case of an indi-*
7 *vidual with respect to whom post-hospital extended care*
8 *services (as defined in section 1861(i) of the Social*
9 *Security Act) are furnished on December 31, 1987, the*
10 *provisions of such sections (as they applied to post-hos-*
11 *pital extended care services furnished on December 31,*
12 *1987) shall continue to apply to such individual until*
13 *the end of the spell of illness during which such serv-*
14 *ices were furnished.*
15 *(3) Notwithstanding section 1861(ff)(1) of the*
16 *Social Security Act, as added by section 4(c)(2) of this*
17 *Act, in determining when an individual has incurred*
18 *out-of-pocket medical expenses (as defined in section*
19 *1861(ff)(3) of such Act) for calendar year 1988 that*
20 *are equal to the medicare catastrophic limit established*
21 *under section 1833(m) of such Act for that year, only*
22 *expenses incurred on or after July 1, 1988, shall be*
23 *taken into account.*
24 *(4) The monthly catastrophic coverage premium*
25 *required by section 1839(g) of the Social Security Act*

1 *(as added by section 5 of this Act) shall apply to*
2 *months after March, 1988.*
3 *(5) The amendments made by section 6 shall*
4 *apply to taxable years ending after December 31,*
5 *1987.*
6 *(6) Sections 8 through 20 shall be effective as*
7 *provided in such sections.*

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Calendar No. 260

100TH CONGRESS
1ST SESSION

S. 1127

[Report No. 100–126]

A BILL

To provide for medicare catastrophic illness coverage, and for other purposes.

JULY 27, 1987

Reported, under authority of the order of the Senate of July 24 (legislative day, June 23), 1987, with an amendment